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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1954

No. 507

DAVIS AIRFOILS, INC., *Petitioner*

v.

UNITED STATES

## PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

TRIPPET, NEWCOMER, YOAKUM & THOMAS

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## PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

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Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Claims entered in the above-entitled case on October 5, 1954.

### I

The first opinion of the Court of Claims, which did not result in final judgment, is dated March 3, 1953, and is reported at *Davis Airfoils, Inc.* v. *United States,* 124 Ct. Clms. 499; 110 F. Supp. 460; the second opinion, upon which final judgment was entered is dated October 5, 1954, but has not yet been officially reported. Both opinions are printed in the Appendix to this petition.

### II

The jurisdiction of this Court is invoked under the provisions of 28 U.S.C. 1255(1). The date of the judgment

for which review is sought is October 5, 1954, and its date of entry is the same.

## QUESTIONS PRESENTED FOR REVIEW

In the agreement giving rise to this proceeding, petitioner licensed the United States under inventions and two separate patents pertaining to aircraft wings. Petitioner alleges that the defendant violated territorial restrictions in the license. Defendant denies liability on the ground, among others, that both patents are invalid, and since the patents are the consideration for the license, the complaint should be dismissed. The Court below accepted and turned its decision on both of these propositions. In doing so it is in direct conflict on both points with decisions of this Honorable Court, as well as decisions of United States Circuit Courts of Appeal for the Second, Third and Eighth Circuits.

1. It is established by the doctrine of double patenting that one party may not hold two valid patents for the same invention. Of the two patents held by the petitioner-licensor in this case, the Court below found the first patent invalid, and the second was declared void on the sole ground that it constituted double patenting. The second patent was not attacked by the licensee on any other ground, and thus was otherwise admittedly valid. The question is whether double patenting can exist where the first patent is assumed to be, not valid, but invalid.

2. The Court below refused to consider the contractual aspects of the agreement on the ground that since neither patent conformed to the requirements of the patent statutes, there was no consideration for the license agreement. The second question is whether a patent, as such, and its validity under the patent statutes, is the consideration for a license or whether the enjoyment of the invention itself constitutes the consideration.

3. It is a basic rule that a licensee is estopped to attack the validity of the patent of its licensor, on any ground. In the present agreement defendant-licensee reserved the right to attack validity of the patent in any infringement suit that might occur. The third question is whether this reservation nullifies the basic estoppel principle applicable to licensees.

4. The agreement grants the licensee a non-exclusive right to make and sell in the United States and its territories only; it also grants the right to use throughout the world. The fourth question is whether a license under a United States patent may be so restricted as to exclude the licensee from manufacturing for sale or from selling in foreign markets.

5. At the trial of this case the presiding Commissioner of the Court of Claims rejected evidence pertaining to the patents on the ground that a licensee may not attack the validity of the patent of a licensor, but he allowed the evidence to be filed as an offer of proof. After the record was closed he filed a "memorandum" stating that he was reversing his ruling; that he would consider the evidence and make findings of fact pertaining to the validity of the patents. Thereafter, the Court in an interlocutory ruling affirmed the Commissioner's second ruling but at the same time barred the plaintiff from presenting evidence pertaining to the patents. The fifth question is whether this procedure fulfills the requirements of due process of law.

## STATEMENT OF THE CASE

This proceeding grows out of a license agreement entered into between the United States and Davis Airfoils, Inc., on June 29, 1943, providing for the use of the latter's inventions at a nominal royalty rate. Petitioner's complaint is that the United States-licensee violated territorial restrictions contained in the license agreement.

The inventions forming the basis for the agreement relate to cross-sectional profile designs of airplane wings in front

to rear section, known in the aircraft industry as the Davis Wing. During World War II, it was used on 17,383 heavy bombers, principally on all the so-called B-24's that were manufactured. (Finding 38; Appendix, pg. 57)

The inventions were the result of a lifetime effort on the part of David R. Davis, the present owner of the patents, who is also president of petitioner Davis Airfoils, Inc. After the issuance of the first patent, petitioner licensed Consolidated Aircraft Corporation on February 9, 1938, at a royalty that was to decrease as volume of production increased, and under this arrangement substantial business was done with the British Government. (Findings 4 and 5; Appendix, pg. 5) There followed in quick succession licenses to Hughes Aircraft Corporation; to N. V. Nederlandsche Vliegtuigenfabriek Fokker, usually referred to as Fokker, to cover the European market; and Manta Aircraft Corporation for the Australian market. (Pl. Ex. Nos. 13, 14, 15; Testimony pgs. 78, 82, 83.)

The license agreement in suit is dated June 29, 1943, and is the result of royalty adjustment proceedings instituted by representatives of the United States Army Air Force. At the time the agreement was executed the Consolidated Aircraft Corporation royalty had been scaled down due to increased volume from several hundred dollars per plane to the minimum royalty payable of $92.71. (Findings 5 and 6; Appendix, pg. 5) In place of this, petitioner was willing to accept the nominal royalty of $5.00 per plane, on United States business alone, because at the same time it understood the license agreement protected its existing foreign markets. (Finding 7; Appendix, pg. 7) That the provisions relating to foreign markets were violated is the basis for the present litigation.

On the contract question petitioner's position may be simply stated as follows: The license agreement granted defendant the right to make in the United States; it also granted the right to sell in the United States; when it came to the right to use, the right to use was extended throughout the world. The "make" and "sell" rights

were granted only throughout the United States and its territories; the "use" right was granted throughout the world. When the defendant chose to extend the "sell" right outside the United States, it breached the contract.

Petitioner makes no claim that lend-lease transactions are not a governmental function, as erroneously stated by the Court below, and as persistently stated by defendant. The fact is that lend-lease transactions were deliberately stricken from the scope of the license agreement. (Findings 8 and 9; Appendix, pg. 8) It is also a fact that defendant, although repeatedly requested to do so, failed to come forward with definite evidence—evidence in its exclusive possession—that the transactions in question were conducted within the lend-lease framework. (Finding 42; Appendix, pg. 59) But aside from this, whether lend-lease is a governmental function or not, transfers to foreign countries would be outside the scope of the license.

The Court below turned its decision entirely on the patent question. It held the first patent invalid in all its thirteen claims, and the second patent void for double patenting. Having held this it said that since the patents were the consideration for the license, there was no need to construe the terms of the license agreement.

With respect to the patents, petitioner's position is (1) as a licensee, defendant was estopped to attack the validity of the patents, and there is nothing in the present agreement to nullify this principle (2) double patenting cannot exist where the first patent is assumed to be invalid (3) in any event, the enjoyment of the invention, and not the patent, as such, is the consideration for the license, and (4) petitioner, perhaps inadvertently, was deprived of an adequate opportunity to defend the patents.

It is significant that neither the Court below, nor the defendant, were able to find any precedent or authority to support their position on the double patenting question. Abundant authority has been supplied in support of petitioner's position. Lacking affirmative authority, an attempt was made by the Court and defendant to distinguish petitioner's precedents. It is argued that this case is different

because here the petitioner had the enjoyment of the first invalid patent for the full 17-year period. The answer to this is that petitioner did not have the full enjoyment of the patent so far as defendant is concerned because according to defendant, and the Court below, the first patent was invalid as of the date of the license agreement—which was in the ninth year of the patent. The Court below (not defendant) also argues that the first invalid patent was issued and published more than two years prior to the second application and thus constituted a statutory bar to this later application. The answer here is that the first patent could not be an anticipation in view of the Court's simultaneous finding that it was inoperative, and would require further experimentation to make it work; a further answer is that this is a defense that was neither pleaded nor argued by the defendant, as demanded by the express words of the statute governing the trial of patent cases. (Repealed Title 35 U.S.C., sec. 69; Current Title 35 U.S.C., sec. 282) (Full text of statute set forth in Appendix at page 67) (For full text of Notice of Defenses, see Appendix, page 69) Direct conflict with the ruling of this Court cannot be avoided on either of the grounds put forward by the Court below.

## ARGUMENT IN SUPPORT OF ALLOWANCE OF THE WRIT

### I

### The Court Below Is in Direct Conflict With Decisions of This Honorable Court and of United States Circuit Courts of Appeal, in Holding That Double Patenting Can Exist Where the First Patent Is Deemed to be Invalid

1. The Court of Claims decision is in direct conflict with a decision of this Honorable Court, as well as decisions of the United States Circuit Courts of Appeal for the Second, Third and Eighth Circuits, and the District Courts of other Circuits, when it says that double patenting can exist where the first patent is deemed to be invalid rather than valid.

The rule in this Court was expressed in the case of *O'Reilly* v. *Morse,* 56 U.S. (15 How.) 62, 14 L. Ed. 601,

decision by Mr. Chief Justice Taney. In that case the Court had under consideration two patents relating to the Morse magnetic telegraph. The first patent consisted of eight claims, of which seven were promptly declared valid by the Court. Most of the decision is devoted to the eighth claim, which was finally held invalid because it claimed too much. To show that even the patentee Morse realized that the eighth claim was too broad, the decision refers to the application and issuance of the second patent to Morse and then makes the following comment at page 114 of the decision:

> "Indeed, the acts of the patentee himself are inconsistent with the claim made in his behalf. For in 1846 he took out a patent for his new improvement of local circuits, by means of which intelligence could be printed at intermediate places along the main line of the telegraph; and he obtained a reissued patent for this invention in 1848. Yet in this new invention the electric or galvanic current was the motive power, and writing at a distance the effect. The power was undoubtedly developed, by new machinery and new combinations. But if his eighth claim could be sustained, this improvement would be embraced by his first patent. And if it was so embraced, his patent for the local circuits would be illegal and void. For he could not take out a subsequent patent for a portion of his first invention, and thereby extend his monopoly beyond the period limited by law."

Having disposed of the eighth claim of the first patent as being too broad to be valid, the Court prepared to discuss the question of infringement as related to both the first and second patents, but before doing so it felt that it should first rule on the validity of the second patent, and in this connection it was said (pg. 122),

> "* * * But as the question of infringement embraces both of the reissued patents, it is proper, before we proceed to that part of the case, to notice the objections made to the second patent for the local circuits,

which was originally obtained in 1846 and reissued in 1848.

> "It is certainly no objection to this patent, that the improvement is embraced by the eighth claim in the former one. We have already said that this claim is void, and that the former patent covers nothing but the first seven inventions specifically mentioned [the first seven claims]."

This principle apparently did not again occupy the attention of this Court until the case of *H. C. White Co.* v. *Morton E. Converse & Son Co.*, 20 F. (2) 311, 313 (C.C.A. 2) (1927), decision by Judge L. Hand, came up on a petition for certiorari, in which the writ was denied in *Morton E. Converse & Son Co.* v. *H. C. White Company,* 275 U. S. 547; 72 L. Ed. 419. In the decision of the United States Court of Appeals for the Second Circuit it was held,

> "A patent is a bargain between the sovereign and the inventor in which the consideration moving to the inventor is the grant. Whatever may be the result if throughout the granted term the inventor has had the enjoyment of his apparent monopoly, it seems to us that, when his patent is declared invalid before its expiry, the consideration fails and the counter consideration moving from the inventor—i.e., the dedication of the disclosure—may be revoked. There being no chance for apportionment of the dedication, it ought not therefore to be held that a subsequent and valid patent is itself invalidated because of the original dedication. The whole vice of double patenting arises from the fact that the second patent defeats the dedication made in the first by extending the term of the original monopoly. Anything, therefore, which relieves the inventor of the first dedication, sets him free again to dedicate the disclosure, if not otherwise abandoned, and leaves it as a valid consideration for the second grant. Since the design patent had not expired at the time of the decree declaring it void, the inventor had not enjoyed his entire consideration, and the second grant was adequately supported by the disclosure."

In accord with the foregoing is the decision of the Court of Appeals for the Eighth Circuit in *Messmer* v. *Pick*, (1918), 251 Fed. 894, 896, "So far as the question of double patenting is concerned, we do not think it can arise in this case, for the reason that we are of the opinion that the design patent is not valid." There is also the case of *Schute* v. *Hildreth* in the Court of Appeals for the Third Circuit, 8 F. (2) 131, 132 (1925), where it is said, "The learned trial Court, by its decree, found the Thibodeau method patent invalid. This deprives defendants of their main defense * * *." The defense was that a later Thibodeau machine patent was invalid over the method patent mentioned. In *Gross* v. *Norris*, 18 F. (2) 418, 421 (D.C. Md.), it was said, "It is true that a design patent cannot be used to protect a mechanical function, or to cover an article whose configuration affects utility alone, and whose appearance is a matter of no consequence. Yet, if an attempt is made to cover such a structure by both kinds of patents, double patenting does not result, for the reason that the design patent is invalid. *Ferd Messmer* v. *Albert Pick & Co.*, (C.C.A.) 251 F. 894." The foregoing is typical of expressions to be found in many decisions of United States District Courts, including the following: *American Hatters & Furriers Co.* v. *Danbury & Bethel Fur Co.*, 47 F. (2) 268, 269 (D.C. Conn.); *Ruben Condenser Co.* v. *Copeland Refrigeration Corp.*, 15 F. Supp. 261, 275 (D.C.E.D. N.Y.); *Connecticut Paper Products* v. *New York Paper Co.*, 39 F. Supp. 127, 134 (D.C. Md.); *Lewis Invisible Stitch Machine Co.* v. *Popper*, 5 F. Supp. 859 (D.C.E.D. N.Y.); *Driver-Harris Co.* v. *Hardite Metals*, 28 F. (2) 413 (D.C.S.D. N.Y.); and *In re Hargraves*, 53 F. (2) 900, 901, (Ct. C. & P. App.).

Perhaps the most significant thing about the decision of the Court of Claims is the absence of any authority or precedent for the position it has taken. The one case mentioned (though not cited by the Court as authority for its position) is *Handley Page, Limited* v. *Leech Aircraft*, 126 F. (2) 267, but it is immediately apparent that this

case has no application as there the Court clearly held that the first patent was a valid patent. The only case brought forward by the defendant was the decision of the District Court for Pennsylvania in *Williams Calk Co.* v. *Neverslip Mfg. Co.*, 136 Fed. 210, a case in which the Court frankly stated at page 213 that its remarks on double patenting were dictum; and about which defendant admits there was no discussion when the case later went to the United States Court of Appeals for the Third Circuit.

2. The Court below expresses the idea that the present case is outside this rule because of the lapse of time between the issuance of petitioner's first and second patents, but this factor was accorded no weight in the *Morse* case. In that case the first patent was applied for in 1838, issued in 1840, reissued in 1848. The second patent was applied for in 1846 (8 years after first application), and was issued in 1846 (6 years after first patent was issued). Both were reissued in 1848. It should also be noted that there was a lapse of 6 years between the issuance of the first patent and the application for the second. All of these time periods are in excess of the periods involved in the present case and were accorded no weight in this Court's decision.

The argument of the Court below in this case is that because there was a lapse of 4 years between the issuance of the first patent and the application for the second, the first patent is a prior publication beyond the 2-year period allowed in the statute, and thus constitutes a statutory bar so far as the second patent application is concerned. To dispose of this point it should be enough to say that it is not pleaded by defendant as required by statute, and was never argued by the defendant. It is provided in the applicable statute (Repealed 35 U.S.C. 69; Current 35 U.S.C. 282), that in order to interpose the defense that an invention was described in a prior publication, or more than two years prior to the patentee's application, there must be

a written notice of such defense served thirty days prior to trial. And it is well-established by decisions of this Court that this statutory requirement must be strictly enforced. *Roemer* v. *Simon,* 95 U.S. 214, 24 L. Ed. 384; *Grier* v. *Wilt,* 120 U.S. 412, 30 L. Ed. 712; *Eachus* v. *Broomall,* 115 U.S. 429, 29 L. Ed. 419. (For full text of statute and notice of defenses, see Appendix, pages 67-69) In discussing a description contained in a prior patent of the patentee, it was said in *Sachs* v. *Hartford Electric Supply Co.,* 47 F. (2) 743, 748, (C.C.A. 2), (1931), "That is a matter which must be pleaded by special notice (U.S. Code Tit. 35, Sec. 69) (35 U.S.C.A., Sec. 69), and the answers do not contain anything of the sort. It has not been argued before us, and, so far as we can see, it was not mooted at the trial. We decline to consider it." To the same effect is *Turini* v. *Allens Mfg. Co.,* 198 F. (2) 491, 495, (C.C.A. 1), (1952); also *Oswell* v. *Bloomfield,* 113 F. (2) 377, 378, (C.C.A. 7) (1940); and *Buono* v. *Yankee Maid Dress Corporation,* 77 F. (2) 275, 278, (C.C.A. 2) (1935).

Of even more importance is the fact that nothing is a prior publication unless it describes an invention in such a manner that any person skilled in the art can practice it without further instruction. The rule is best expressed in *Dewey & Almy Chemical Co.* v. *Mimex Co.,* 124 F. (2) 986, 989 (C.C.A. 2) (1942):

> "No doctrine of the patent law is better established than that a prior patent or other publication to be an anticipation must bear within its four corners adequate directions for the practice of the patent invalidated. If the earlier disclosure offers no more than a starting point for further experiments, if its teaching will sometimes succeed and sometimes fail, if its does not inform the art without more how to practice the new invention, it has not correspondingly enriched the store of common knowledge, and it is not an anticipation." (Citing *Seymour* v. *Osborne,* 11 Wall. 516, 555, 20 L. Ed. 33; *Tilghman* v. *Proctor,* 102 U.S. 707, 711, 712, 26 L. Ed. 279; *Eibel Process Co.* v. *Minnesota & Ontario Paper Co.,* 261 U.S. 45, 66, 43 S. Ct. 322, 67 L. Ed. 523; (*Second Circuit*) *Westinghouse Air-Brake Co.* v. *Great*

*Northern R. Co.*, 88 F. 258, 263; *Hillard* v. *Fisher Book Typewriter Co.*, 159 F. 439, 441; *United Chromium, Inc.* v. *International Silver Co.*, 60 F. (2) 913, 917; *H. K. Regar & Sons* v. *Scott & Williams*, 63 F. (2) 229, 231; (*Third Circuit*) *Skelly Oil Co.* v. *Universal Oil Products Co.*, 31 F. (2) 427, 431; *American Safety Table Co.* v. *Singer Sewing Machine Co.*, 95 F. (2) 543, 549, 550; (*Fourth Circuit*) *McKee* v. *Graton & Knight Co.*, 87 F. (2) 262, 264; (*Sixth Circuit*) *Morgan Construction Co.* v. *Wellman-Seaver-Morgan Co.*, 18 F. (2) 395, 399; (*Ninth Circuit*) *Carson* v. *American Smelting & Refining Co.*, 4 F. (2) 463, 465; (*C. App. D.C.*) *In re EK*, 57 App. D.C. 203, 19 F. (2) 677, 678; *Becket* v. *Coe*, 69 App. D.C. 51, 98 F. (2) 332, 335; (*Ct. C. & P. App.*) *In re Cramblet*, 62 F. (2) 358, 359.)

Defendant's principal attack on the first patent in this case was based on the proposition that the first patent was inoperative; and that there would be no way to obtain operative airfoils without further experimentation with the formulas contained in the first patent. (Def. Ex. Nos. 4, 5, 12; Testimony, pgs. 258, 264, 265, 330) With respect to the first patent, the Court below correspondingly found that, "To obtain operative airfoils would require experimentation with the values to be used in the formulas. This group of claims does not particularly point out and distinctly claim an identifiable invention or discovery, and they are therefore invalid." (Findings 32 and 33; Appendix, pg. 53) In other words, the Court below is in the paradoxical position of finding that the first and prior patent constitutes a prior publication, even though it does not claim an identifiable invention or discovery, and even though to obtain operative airfoils would require further experimentation. To make the anomaly worse, the Court has also found that the first patent is invalid except that as a prior publication it is "effective", that is, a valid patent. In a concurring opinion one member of the Court below said he was not sure he understood what the majority opinion means. (Appendix, pg. 29)

3. The Court below also undertakes to distinguish petitioner's authorities, and particularly the *White Company* case, on the ground that here the first patent expired *pendente lite.* It is said that petitioner has thus "exhausted the monopoly predicated upon its first patent." It is difficult to follow this reasoning.

It has always been held that a suit at law for royalties or damages under a license agreement may be maintained after the expiration of the patent upon which the license agreement was based, so long as they accrued prior to expiration. It has always been held that an accounting for past infringements will be determined in equity where an injunction has been granted, and even though the need for the injunction no longer exists by reason of the expiration of the patent. And it has always been held that an injunction will lie after expiration of a patent to prohibit the subsequent disposition of articles produced by way of infringement or violation of a license agreement while the patent was in effect. *Root* v. *L. S. and M.S.R. Co.,* 105 U.S. 189, 26 L. Ed. 975; *Clark* v. *Wooster,* 119 U.S. 322, 30 L. Ed. 392; *Diamond Stone Sawing Machine Co.* v. *Seus,* 159 F. 497, 498; *Cookson* v. *Louis Marx Co.,* 23 F. Supp. 615, 617 (D.C.S.D. N.Y.) (1938); *Fulton Co.* v. *Bishop & Babcock Co.,* 17 F. (2) 1006.

The reason for this is that it is the circumstances surrounding the acts involved at the time they occurred that must control. In the early case of *Am. Diamond Rock Boring Co.* v. *Sheldon,* 1 Fed. 870, 873, Judge Wheeler said,

> "In Curtis on Pat., Sec. 436, it is laid down as clear law that 'if the patent has expired, the account and the injunction will extend to all the articles piratically made during the existence of the patent, though some of them may remain unsold.' The illegality attaches to the things themselves. The person making them has no right to make them—no right to them when made; he can import none, and none will accrue by their passing into time when they might be made."

The above case is cited with approval in *Fulton Co.* v. *Bishop & Babcock Co.*, 17 F. (2) 1006, 1007, (C.C.A. 6) (1927), where it is said:

> "* * * no violation of the patent law comes merely from selling the article after the patent expires; the violation is indirect; the basic reason of the result is that the article itself came into existence in violation of law. Its conception and birth were tainted. To permit it to be sold would be to impair the patent grant by shortening its term."[1]

It must be clear that if the expiration of the patent wipes out past violations of the license agreement, or past infringements, so far as the offending party is concerned, the life of the patent has been shortened to that extent. And since every action involving the validity of a patent is *in personam,* it is only the offending party that is important. "Such a suit is *in personam;* it concludes the parties, and it concludes nobody else." *Traitel Marbel Co.* v. *T. Hungerford Brass & Copper Co.*, 18 F. (2) 66, 69 (C.C.A. 2). See also *United Lens Corporation* v. *Dordy Lamp Co.*, 93 F. (2) 969, 973 (C.C.A. 7). This means that unless the first patent is given effect so far as this defendant-licensee is concerned for its full 17-year term, the life of the patent has been shortened to that extent. As the transactions in question here began during the ninth year of the first patent, the effect of defendant's argument would be to shorten the life of the first patent from 17 to 9 years, so far as the defendant-licensee is concerned.

It should also be noted that because of the impact of World War II the defendant was not only the licensee *in personam* in this case, but it also constituted the public at large. The first patent was issued in 1938, and some

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[1] See also *Warner* v. *Tennessee Products Corp.*, 57 F(2) 642, 646; *Motion Picture Patents Co.* v. *Centaur Film Co.*, 217 Fed. 247; *American Sulphite Pulp Co.* v. *Crown-Columbia Pulp & P. Co.*, 169, F. 140; *Underwood Typewriter Co.* v. *Elliott-Fisher Co.*, 156 F. 588, 590; *New York Belting & Packing Co.* v. *Magowan*, 27 Fed. 111.

relatively small benefits were derived from the invention under the Consolidated Aircraft Company license until 1943, when royalty adjustment proceedings were instituted by defendant against petitioner, which culminated in the license agreement in suit. (Findings 4 and 5; Appendix, pg. 5) Subsequent to the date of the license, and because of the way it was violated on foreign business, it was not possible for petitioner to do any business of either a domestic or foreign nature with anyone other than defendant, the United States Government, after the date of the agreement. By extending the license beyond its scope, the defendant-licensee occupied the total market. In this light it can hardly be said that petitioner had the full enjoyment of the first patent until its expiry date.

## II

**The Court Below Is in Direct Conflict With Decisions of This Honorable Court, and With Decisions of United States Circuit Courts of Appeal, in Holding That a Patent, and Its Validity Under the Patent Statutes, Is the Consideration for a License Agreement, Rather Than the Enjoyment of the Invention Itself**

Having found both patents of petitioner invalid the Court below proceeds to the conclusion that this denotes a failure of consideration for the license agreement and thus obviates the necessity of construing the agreement.

It is petitioner's position that the consideration for the license agreement is the enjoyment of the invention itself, not the patent, as such; and if defendant used any of the inventions described in any of the claims of either of the Davis patents, the defendant is liable for any breach of the license agreement, without regard to the validity of the patents as tested by a strict application of the patent statutes.

Wholly aside from the patents, petitioner made an important contribution to the art of aerodynamics. Even after the first patent was issued, and Consolidated Aircraft Company was licensed under the patent, Mr. Davis con-

tributed his personal efforts to insure the best production of the initial airfoils. (Testimony, pgs. 75-77) Thereafter the invention was widely adopted in the aircraft industry by companies working on United States contracts. (Finding 38; Appendix, pg. 56) That defendant-licensee got the benefit of this experience and know-how, as well as the patents, is evidenced by the terms of the agreement itself which includes by its express terms not only the patents but also all of petitioner's present and future inventions or improvements. Taken together, all this is collectively referred to in the First Paragraph of the license agreement as the "inventions." (Tr. Rec. pg. 12) And it seems only fair to add that whether the patents are valid or not, defendant enjoyed the full fruits of the inventions during the entire life of the agreement and accepted this without any sign of protest or challenge to the validity of the patents themselves.

It is well-established that a suit by a patentee for royalties under a license agreement or any remedy in respect of a contract permitting use of a patent is not a suit under the patent laws of the United States. *Luckett* v. *Delpark,* 270 U.S. 495; 70 L. Ed. 703. Also that, "The rights of the parties depend altogether upon common law and equity principles." *Wilson* v. *Sanford,* 10 How. (51 U.S.) 99, 13 L. Ed. 344. And "the government did not confer on the patentee the right to make, use, or vend his own invention, such right was a right under the common law, not arising under the Federal Patent Laws, and not within the grant of power to Congress to enact such laws * * * ." *Crown Die and Tool Co.* v. *Nye Tool & Machine Works,* 261 U.S. 24, 34-35, 47 L. Ed. 516, 518-519.

As a corollary to the above it was said in *Kinsman* v. *Parkhurst,* 59 U.S. (18 How.) 289, 15 L. Ed. 385, 387, that, "the invalidity of the patent would not afford a bar to the complainant's right to an account." Also, it is said in the same case that, "Having actually received profits from sales of the patented machine, which profits the defendant's do not show have been or are in any way liable to be

affected by the invalidity of the patent, its invalidity is immaterial." This same principle was extended to the United States as a defendant by Mr. Justice Holmes in *United States* v. *Harvey Steel Company*, 196 U.S. 310, 316, 49 L. Ed. 492, 493: "This distinction between sale and use, even for a non-competitive purpose, does not impress us. So far as the practical advantage secured is a matter for consideration, whether a thing made under a patent supposed to be valid is used or sold, it equally may be assumed that the thing would not have been used or sold but for the license from the patentee." And the rule is concisely stated in *Dale Tile Mfg. Co.* v. *Hyatt*, 125 U.S. 46, 54, 31 L. Ed. 683, 687: "The decision was based upon the contract between the parties; and the Court did not decide, any question depending on the construction or effect of the Patent Laws of the United States," citing *Kinsman* v. *Parkhurst, supra.*

The same rule has oftentimes been expressed in decisions of the United States Circuit Courts of Appeal[2] of which the following excerpt from *Stentor Mfg. Co.* v. *Klaxon Co.*, 115 F. (2) 268, 273 (C.C.A. 3) is typical:

> "There was no failure of consideration. The defendant got exactly the monopoly for which it bargained. It carried on its business under these patents throughout the term and accepted such benefits thereunder as it thought desirable to reap. Although at times the defendant questioned whether some of the articles it manufactured came within the scope of the patents it never raised the question of their validity. Having accepted all the benefits which the contract provided should accrue to it, the defendant may not now excuse its failure to perform by alleging it did not receive what it bargained for."

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[2] *Saco-Lowell Shops* v. *Reynolds*, 141 F (2) 587, 596 (C.C.A. 4); *Sbicca- Del Mac* v. *Milins Shoe Co.*, 145 F (2) 389, 400 (C.C.A. 8); *Timken-Detroit Axle Co.* v. *Alma Motor Co.*, 47 F. Supp. 582, 585 (D.C. D. Del.), reversed on other grounds, 144 F (2) 714; 329 U.S. 129, 91 L. Ed. 128.

There can be little doubt that on this point the decision of the Court below is in direct conflict with several decisions of this Honorable Court, as well as many decisions of United States Circuit Courts of Appeal.

## III

### There are No Provisions in the Present Agreement to Nullify the Basic Rule That a Licensee May Not Attack the Validity of the Patent of a Licensor

The basic rule is that a licensee may not attack the validity of the patent of a licensor. *Automatic R. Mfg. Co. v. Hazeltine Research, Inc.*, 339 U.S. 827, 94 L. Ed. 1312. By ruling both ways on this subject in this case, the Court below deprived petitioner of an adequate opportunity to defend its patents.

Defendant first indicated it would attempt to challenge the validity of the patents at the pre-trial hearing, at which time the Commissioner announced that defendant should be ready at the trial to show its right to attack the patents. (Testimony, pg. 237) When patent evidence was offered at the trial, petitioner objected and the evidence was rejected, but defendant-licensee was permitted to make an "offer of proof." (Testimony, pgs. 251-252) Under these circumstances petitioner submitted no evidence in support of the patents. The record was duly closed by the Commissioner at the conclusion of the trial. Eight months later the Commissioner filed a "memorandum" stating he was reversing his ruling, and that he would make findings on the basis of the evidence that had been submitted as an "offer of proof." This was done, with the result that the Commissioner found both patents invalid, with the exception of Claim 13 of the first patent. Defendant immediately decided it had some "newly discovered" evidence pertaining to Claim 13, and filed a motion to re-open the case. Believing that this motion, for the first time in the proceeding, presented an opportunity to test before the Court itself, as distinguished from the Commissioner, the admissibility of any evidence

pertaining to the validity of any of the claims of the patents, including the "newly discovered" evidence pertaining to Claim 13, petitioner opposed this motion. The motion was granted by the Court, and in doing so it was granted only to cover the "newly discovered" evidence of defendant, it being stated in the ruling that no evidence pertaining to any other portions of the patents would be received at the further hearing. Thus the door was effectively slammed on any opportunity to present an adequate defense of the patents. (Findings, 1st par., Appendix, pg. 22) It is true that after the Commissioner reversed himself, he offered petitioner an opportunity to present further evidence. Petitioner declined the offer because as of that time the Commissioner had ruled both ways on the subject and under the circumstances petitioner felt it was entitled to await the final ruling of the Court itself.

The Court below ruled that patent evidence was admissible because of a clause in the contract (Article Thirteen; Appendix, pg. 71) which reserved such rights as defendant had under "Title 60 of the Revised Statutes." Since the only defensive rights found in Title 60 pertain by express language to infringement suits, and not to the licensed use of a patent, it is difficult to see how this reference can be applicable to this case. In enumerating the defenses, Title 60 of the Revised Statutes, (Repealed 35 U.S.C. 69; Current 35 U.S.C. 282) states in its first words: "*In any action for infringement* the defendant may plead the general issue, and having given notice in writing to the plaintiff or his attorney, thirty days before, may prove on trial any one or more of the following special matters . . ." (Italics supplied)

Defendant and the Court below admit that this is not an infringement suit; yet they find it possible to say that the foregoing language is applicable here. If the lower Court is right in this respect, then the long line of decisions of this Honorable Court extending from *United States* v. *Harvey Steel Co., supra,* to *Automatic R. Mfg. Co.* v. *Hazeltine Research, Inc., supra,* holding that a licensee

is estopped to attack the patent, would have to be wrong. If Congress has granted a licensee the right to attack a licensor's patent, as part of Title 60 of the Revised Statutes, then this Court would be bound by the terms of the Statute, and would have no authority to say that the right does not exist.

## IV

**Petitioner Licensor Asserts the Right to Exclude Defendant Licensee From Manufacturing for Sale or Selling in Foreign Countries. It Does Not Assert That Administration of the Lend-Lease Program Was Not a Governmental Purpose or Function**

The lower Court decision does not correctly state the contentions, or the theory, of petitioner's case. Defendant has consistently misstated petitioner's position, and the Court apparently has adopted this mistaken presentation, despite persistent and vigorous efforts of petitioner to set the record straight.

The Court below states that petitioner "alleges that Lend-Lease and Surplus Property disposal by the Government does not represent a governmental purpose under the license agreement in suit; and that it breached the license agreement when it performed such purposes, even though the license agreement contains no clauses prohibiting the performance of such governmental purposes." (Appendix, pg. 27)

The Court itself found as a fact that a clause that would have allowed Lend-Lease transfers was deliberately stricken from the license agreement and was not restored. (Findings 8 and 9; Appendix, pgs. 7 & 8) But aside from this fact, petitioner has repeatedly stated its position to be simply that when the defendant manufactured for sale, and sold outside the United States it exceeded the scope of its license. It makes no difference whether the transfers were within the lend-lease framework or not. It is significant, however, that although defendant was in exclusive possession of the evidence, it did not show the nature of the

transfers—although the information was repeatedly sought by petitioner. All defendant would state was that it "presumed" the transfers were lend-lease. (Finding 42; Appendix, pg. 58; Pl. Ex. Nos. 2 and 3) Also significant is the deletion of the lend-lease clause from the contract, as this is additional proof that no foreign transfers of any kind were contemplated by the terms of the agreement at the nominal royalty rate set forth. (Findings 8 and 9; Appendix, pg. 8)

Although a license in the exact form of the present license has not before been considered by this Court, it has been approved by some of the lower Courts. The leading case on this subject, is the early case decided by Mr. Justice Blatchford, renowned for his decisions in the field of patent law, who later became a member of this Court, in the case of *Dorsey Revolving Harvester Rake Co.* v. *Bradley Mfg. Co.*, (C.C.) 12 Blatch. 202, Fed. Cas. No. 4,015, 7 Fed. Cas. 946, which was cited with approval in *General Talking Pictures Corporation* v. *Western Electric Co.*, 304 U.S. 175, 181, 82 L. Ed. 1273, 1277, 58 S. Ct. 849, and which has since been followed either expressly or by implication in *Becton, Dickinson & Co.* v. *Eisele & Co.*, (C.C.A. 6) 86 F. (2) 267; *Elliott Co.* v. *Lagonda Mfg. Co.*, 205 F. 152, 158; and *American Optical Co.* v. *New Jersey Optical Co.*, 58 F. Supp. 601, 606. In the latter case it was said that, "No case had been brought forward to shake the authority of this decision."

In the *Bradley* case decided by Judge Blatchford the owner of the patent had granted a license to make and sell in the United States, but nothing was said about selling in foreign countries. The licensee engaged in sales for export, the owner of the patent sought an injunction, and it was granted. The following is an excerpt from the decision:

> "The complainants have not vested in themselves, by virtue of their patents, any exclusive right to sell their patented inventions in foreign countries; and, therefore, anyone, having possession of their harvest-

ers there, may sell and use them there, and anyone there may make, sell and use them. But, a patentee having the exclusive right to make them in this country, and having the right, above stated, to grant that right to others, may qualify the privilege he confers. A patentee may find it greatly to his advantage, and greatly profitable, to supply a foreign demand for an article of American manufacture, and may be able successfully to compete with foreign machinists in the making. In such case, his monopoly of the right of making and selling here is of great value, because no other one can make in this country and compete with him. *I know of no reason, in law or in equity, why, if he gave to another a right to make, or to make and sell, he is not at full liberty to retain to himself the advantage and profit of competing in foreign markets, by retaining the exclusive right to make and sell for export or use in other countries; not because the monopoly includes such countries, but because his actual monopoly does include all making and selling here, with all the advantages which are incident thereto.*

"The defendants in this case are making and selling the patented harvester, and are so making and selling for the purpose of exportation, or under contracts, with knowledge and intent that the purchasers are thereby supplying, and will supply, the foreign market." (Italics supplied)

The case of *Becton, Dickinson & Co.* v. *Eisele & Co., supra,* is to the same effect, except that the traffic was in the opposite direction, from Europe to the United States. A United States patent owner granted to an English company the exclusive right to ship the patented articles into this country for sale in competition with United States licensees. The English concern, in turn, granted an exclusive license to a United States company to sell in the United States these English manufactured patented articles. It will be seen that the United States patent thus had the effect of creating two competitive groups of licensees in the United States (1) those directly licensed to manufac-

ture and sell in the United States and (2) those licensed to sell in the United States patented articles manufactured outside the United States. Of this situation the Court said:

> "This being so, there was still left to the owner of the patent a valuable part of the monopolistic field not preempted by virtue of any license to American manufacturers of steel. This was the right to use or vend in the United States patented products elsewhere made, and this field the owner of the patent could further subdivide, granting to one a license to vend steel when made into one specific article of commerce and to another the right to use or vend other articles. This it did."

So it was with Davis Airfoils, Inc. It had arrangements with Fokker in Holland, with Manta Aircraft Company in Australia, and other arrangements pending. (Pl. Ex. Nos. 13, 14, 15; Testimony, pgs. 78, 82, 83) Prior to execution of the license agreement in suit it had been selling to the British direct, through Consolidated Aircraft Corporation (Findings 4 and 5; Appendix, pg. 5) While it was quite willing to license the United States Government at a nominal royalty to make and sell within the United States, and even to use throughout the world, it wished to protect these existing and potential foreign markets. (Finding 7; Appendix, pg. 7) So it did not license the United States for the nominal royalty to make, use and sell throughout the world, and thus exhaust all of the possibilities of its patent right, but instead it authorized the United States only to make and sell in this Country, and only to use throughout the world. In this way it reserved to itself the right to sell directly in the foreign markets, or to license others, such as Fokker, to sell in such foreign markets airplanes embodying its inventions.

## CONCLUSION

For the reasons stated, it is respectfully submitted that this petition for a writ of certiorari should be granted.

TRIPPET, NEWCOMER, YOAKUM & THOMAS

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HAROLD B. WILLEY, Cl

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1954

No. 507

DAVIS AIRFOILS, INC., *Petitioner*

v.

UNITED STATES

## APPENDIX TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

TRIPPET, NEWCOMER, YOAKUM & THOMAS

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January 3, 1955.

PRESS OF BYRON S. ADAMS, WASHINGTON, D. C.

**APPENDIX**

IN THE

# United States Court of Claims

No. 48775

(Decided March 3, 1953)

---

DAVIS AIRFOILS, INC.

v.

THE UNITED STATES

---

*Mr. Edward Gallagher*, for the plaintiff.

*Mr. H. L. Godfrey*, with whom was *Mr. Assistant Attorney General Holmes Baldridge*, for the defendant.

ON DEFENDANT'S MOTION FOR AN ORDER REFERRING THE CASE TO COMMISSIONER FOR FURTHER EVIDENCE

LITTLETON, *Judge*, delivered the opinion of the court:

The plaintiff is the owner of certain United States Letters Patent, hereinafter referred to, issued on certain alleged inventions and improvements relating to the cross-sectional profile designs of airplane wings in front to rear section, currently known and referred to in the record as the "Davis Wing." As hereinafter more fully set forth, the plaintiff and the defendant through The Royalty Adjustment Board at Wright Field entered into an agreement, commonly called a royalty adjustment agreement, whereby the defendant was granted a nonexclusive right and license, for the consideration and under the terms mentioned in said agreement to use plaintiff's inventions. By an amended petition filed herein December 13, 1950, the plaintiff sues the defendant for alleged breach of said agreement.

The basis of plaintiff's claim that the defendant has breached the agreement, and of its claim for damages for such alleged breach, is set forth in paragraph XIII of its petition as follows:

> To the extent that petitioner's invention was embodied in airplanes caused to be manufactured by defendant and used throughout the world by governments, and parties, other than the United States Government, and to the extent that airplanes embodying petitioner's inventions have been disposed of by defendant for other than governmental purposes, petitioner has been damaged by the difference between a fair and reasonable royalty, namely, the sum of eight hundred dollars ($800.00) per airplane, and the reduced royalty set forth in the agreement of five dollars ($5.00) per airplane.

The case was heard by Commissioner Gordon, at which hearing the defendant claimed that it had not breached the agreement and interposed the further defense, under paragraph thirteen of the agreement entitled "Reservation of Rights," that the claims and the patents in suit were invalid. Upon plaintiff's objection that the defendant as a licensee could not question the validity of the patents under the license agreement, the Commissioner ruled, in view of paragraph thirteen (hereinafter set forth), that defendant should be allowed to submit evidence as to the validity of the patents in question.

The Commissioner has filed his report of the facts relating to the making of the agreement of June 29, 1943, and the terms and conditions thereof together with findings of fact relating to the patents, the manufacture, use, and disposition by defendant of airplanes embodying plaintiff's alleged inventions and the validity of the claims and the patents covered by said agreement of June 29, 1943.

The Commissioner found, with respect to the first patent No. 1,942,688, issued January 9, 1934, that claims 1 to 12, inclusive, thereof were invalid. As to claim 13, the Commissioner found that "There is no satisfactory evidence

that claim 13, which specifically limits the value of *B* to 18% to 33% of the value of *A*, is directed to an inoperative structure or is invalid." As to the second patent No. 2,281,272, issued April 28, 1942, the Commissioner found that this patent "extends the monopoly already covered by the claims of the first patent for a period of more than 17 years, and the second Davis patent is void because of doubling patenting."

Within 30 days after the filing by the Commissioner of his report, the defendant filed with the court its motion asking that the court refer the case to Commissioner Gordon, for the taking of further evidence newly discovered as to the validity of claim 13 and the patent No. 1,942,688.

The facts found and reported by the Commissioner in his report of April 28, 1952, insofar as material to the question before the court on defendant's motion, are set forth below in paragraphs numbered 1 to 22, inclusive:

1. Davis Airfoils, Inc., is a corporation organized and existing under the laws of the State of California, with its principal offices at 334½ North Sycamore Street, Los Angeles, California.

2. Plaintiff is the licensee of certain patents relating to the cross-sectional profile designs of airplane wings in front to rear section (currently known and referred to as the "Davis Wing"), for which United States Letters Patent No. 1,942,688 were issued January 9, 1934, and No. 2,281,272 on April 28, 1942. Copies of these patents are in evidence as defendant's exhibits 10 and 11 respectively.

3. On June 29, 1943, plaintiff entered into a license agreement with defendant, identified as "Contract W-535 ac-40218 (10569)," and effective on April 1, 1943. This contract is hereinafter referred to as the contract in suit.

A true copy of this contract is appended to the petition as Appendix A, except that pursuant to a stipulation filed by the parties, the last sentence of paragraph "First" of the contract should be amended by removing the parentheses and by making plural the word "airplane."

The corrected sentence then reads:

> Licensor agrees not to make any claim other than as provided herein against Government by virtue of any delivery, sale or other disposition of airplanes upon which a royalty has been paid to Licensor.

The contract in suit specifically states that it "shall continue in effect until the end of the present National Emergency and for six (6) months thereafter." The contract was in full force and effect when the transactions involved in this case occurred.

The plaintiff alleges breach of the terms of this contract by the unauthorized disposal by the Government of certain airplanes.

4. Prior to the effective date of the aforesaid contract in suit and on or about February 9, 1938, the plaintiff had entered into a license agreement with Consolidated Aircraft Corporation providing for the payment to plaintiff of a royalty for the use of the Davis airfoil or wing. This royalty was based on a sliding scale, beginning at ½ of 1% of the selling price of the airplane less engines, propellers and usual Government-furnished materials, and decreasing to a minimum of 1/16 of 1% of such selling price. This license agreement was in part as follows:

> In the event that this Corporation uses the Davis airfoils on any experimental airplane, we agree to pay Mr. Davis $2,500.00 for each first prototype employing same. For subsequent airplanes of the same model, we agree to pay royalties based upon the selling price of the airplanes (not including spares), less engines, propellers and the usual Government furnished material, according to the following table as full compensation for the use of said airfoils:

| | *Percent* |
|---|---|
| 0 to $1,000,000 | ½ |
| $1,000,000 to $5,000,000 | ⅜ |
| $5,000,000 to $10,000,000 | ¼ |
| $10,000,000 and upwards | ⅛ |

When the total of royalties paid aggregates $50,000 the above scale of royalties will be reduced 50%. Said payments of royalties to be made quarterly from date of first use, within ten (10) days after the end of each quarter, and to cover all airplanes equipped with Davis Airfoils Sections produced in the said quarterly period, such royalty payments to be accompanied by a statement showing the number, type, and selling price of aircraft upon which the air foil has been used.

This license agreement, plaintiff's exhibit 9, is made a part of this finding by reference.

5. Royalties in substantial amounts were paid under this license agreement, at the rates provided in the sliding scale, on 166 airplanes purchased by Great Britain directly from Consolidated in 1941 and prior thereto, and also on aircraft subsequently purchased for the United States Government. These royalties were paid over a period beginning in 1939 and extending to the effective date of the contract in suit (April 1, 1943). There is no evidence of any direct purchases of airplanes by Great Britain from Consolidated subsequent to 1941.

At the time of completion of the British contracts in 1941 the royalty rate being paid upon the airplanes sold directly to Great Britain was 1/16 of 1% of the net cost, with certain deductions.

At the time the contract in suit became effective the royalty rate on the B-24 airplanes paid by Consolidated was 1/16 of 1% or $92.71 per plane at the then selling price of the planes (plaintiff's exhibit 29).

6. The negotiations that ultimately led up to the contract in suit were initiated by a letter dated April 2, 1943, from The Royalty Adjustment Board at Wright Field to the plaintiff. This letter read as follows:

1. The matter of your license agreement with the Consolidated Aircraft Corporation has been referred to The Royalty Adjustment Board for consideration under Public Law 768, 77th Congress, 2nd Session.

2. Before proceeding further in the matter, the Board is desirous of obtaining relevant facts pertaining to the agreement, the patent and patent applications involved, and the royalties paid and to be paid thereunder. It will be appreciated if you will indicate the earliest convenient date when an informed representative of your corporation will confer with the Board at this office.

Pursuant to this letter, the plaintiff, represented by David R. Davis, and its counsel, Oscar A. Trippet, conferred at Wright Field with Capt. Walter R. Bruington, executive officer of The Royalty Adjustment Board.

Initially the discussions concerned a reduction under the Royalty Adjustment Act in the amount of the royalty set forth in the Consolidated Aircraft Corporation contract. Subsequent to the initial discussions there was also some discussion of a settlement for alleged past infringement by Government contractors. The discussions, however, later turned to the negotiation of a license contract between the plaintiff and the Government, which contract, when executed, became the contract in suit.

In connection with this phase of the matter, a Major Bowes of the Procurement Division, which had contractual authority, entered into the picture as the responsible officer at Wright Field in charge of the negotiations and the final approval of the contract. Captain Bruington still assisted in an advisory capacity.

7. The present controversy centers about paragraphs 1, 2 and 13 of the contract in suit. The negotiations leading ultimately to paragraphs 1 and 2 are set forth below, and paragraph 13 is subsequently referred to in findings 20 to 22.

Early in the negotiations a royalty rate of $5 per airplane was agreed upon. In this connection, and as expressed in the second "Whereas" clause of the contract, the plaintiff was desirous of making available the wider use of airplane wings embodying the use of its inventions and—

to have additional sources of supply for same, in the interest of facilitating the prosecution of Government's effort in the present National Emergency.

In connection with the reduction of the royalty rate it was plaintiff's objective, as expressed throughout the negotiations, not to have the airplanes thus acquired by the Government disposed of in such a way as to interfere with its postwar commercial interests in this country or its foreign markets.

On the contrary, it was the expressed objective of the Government's representatives that upon the payment of a royalty on an airplane the plaintiff could not make a further claim against the Government by virtue of any delivery, sale or other disposition of that particular airplane.

8. In the preparation of the preliminary drafts of paragraphs 1 and 2 of the contract in suit, paragraph 1 of a previous license agreement known as the Fowler contract and also relating to airplane parts (plaintiff's exhibit 17) was used as a guide. Paragraph 1 of the Fowler agreement reads as follows:

> 1. The Licensor hereby grants to the Government an irrevocable, nonexclusive right and license under each of the claims of the patents hereinbefore in the preamble of this license agreement enumerated, and/or referred to, and under all other patents and/or applications for patents and/or present and future inventions or improvements whether patented or unpatented relating to the Commodity herein defined and/or to the manufacture thereof which now or hereafter may be owned or controlled by Licensor, or under which Licensor may have any right to grant licenses, during the term hereinafter defined, to manufacture, use, sell, and/or otherwise dispose of the Commodity *including disposition to lend-lease countries under the act of March 11, 1941, as amended,* and/or cause the Commodity to be manufactured, used, sold and/or otherwise disposed of throughout the world, and to

employ or have employed, in any manner deemed necessary or expedient for the foregoing purposes, any designs, specifications, drawings, or other information, relating to the Commodity, supplied by Licensor to the Government or to nominees or representatives thereof. It is understood that the license herein granted is limited to the manufacture, use, sale or other disposition of the Commodity, or information relating thereto, *by or for the Government for Governmental purposes.* [Italics supplied.]

9. The first working draft comprised two sheets containing the "Whereas" clauses and certain other matter (defendant's exhibit 1) and a single sheet containing a tentative draft of paragraphs 1 and 2 of the contract (plaintiff's exhibit 18).

The first paragraph of this draft departed from the language of the Fowler contract by eliminating reference to lend-lease business and by eliminating language that would authorize the Government to sell or otherwise dispose of aircraft employing the Davis wing throughout the world.

The second paragraph of this draft differed from the Fowler contract by changing the wording from "Governmental purposes" to "military purposes" and added a clause stating that the Government might at any time and from time to time dispose of aircraft manufactured under the license without restriction.

10. In the next working draft (plaintiff's exhibit 19) paragraph 1 was changed in the opening clause, which refers to licensor granting to the Government a nonexclusive right and license, by adding after the word license, "as hereinafter limited," and by the inclusion of the following language at the end of paragraph 1:

> The right to manufacture and sell herein granted may be exercised only in the United States. The right to use, however, shall extend to all parts of the world.

In this working draft the language of paragraph 2 relating to the use of the licensed airplanes by the Govern-

ment was changed from "military purposes" to "its Governmental purposes."

11. At a subsequent conference at which Captain Bruington, Mr. Trippet and Major Bowes were present, the next draft, and what was, in many respects, the last draft, of the entire contract was completed (plaintiff's exhibit 20). At this conference the provisions of Section 2 were the subject of further discussion and it was agreed that the terms of this section could be further clarified so as to more simply express the intent of the parties. These changes were incorporated in a subsequent mimeographed copy of the contract and were carried into the final draft as it was executed by the parties.

Following this conference Mr. Davis and Mr. Trippet returned to Los Angeles, Mr. Trippet carrying with him a retyped copy of plaintiff's exhibit 20, such retyped copy being identified as plaintiff's exhibit 30. Paragraphs 1 and 2 of plaintiff's exhibits 20 and 30 read as follows:

> 1. Licensor hereby grants to Government, commencing as of April 1, 1943, a nonexclusive right and license as hereinafter limited, under each of the said patents and under all other patents or applications for patents or present and future inventions or improvements, whether patented or unpatented, relating to the airplane wings herein defined, which now or hereafter may be owned or controlled by Licensor, or under which Licensor may have any right to grant licenses during the term hereinafter defined, to manufacture and sell or otherwise dispose of or cause to be manufactured and sold or otherwise disposed of throughout the United States and its territories, and to use throughout the world, airplane wings which embody said inventions. Licensor agrees not to make any claim against Government by virtue of any delivery, sale or other disposition of airplanes upon which a royalty was paid under the terms of this Agreement.
>
> 2. The License described in Paragraph First hereof is limited to the manufacture, use, sale or other dis-

position of airplane wings which embody said inventions, to or for, directly or indirectly, Government for its Governmental purposes during the continuance of the present National Emergency and for six months after the termination thereof; provided, however, that any bona fide contracts let for the manufacture of airplane wings which embody said inventions, and which are not completed prior to the termination hereof, may be completed; and provided further, that at any time and from time to time, after the termination hereof, the Government may, without restriction, use, sell or otherwise dispose of, or cause to be used, sold or otherwise disposed of, any of the airplanes manufactured under this License.

The term "present National Emergency" as used herein shall be deemed to mean the present National Emergency declared by the Congress of the United States or by Presidential Proclamation (and whether or not involving war) as from time to time continuing or extended.

12. Following the return of Mr. Davis and Mr. Trippet to Los Angeles, plaintiff received a letter dated June 3, 1943, bearing the initials of Major Bowes and enclosing three mimeographed copies of the purported contract, with the request that it be duly executed and returned. There were, however, certain changes in the mimeographed copy which differed from the final draft considered by the parties at Wright Field. These changes involved paragraphs 1 and 2 and also paragraph 4, and gave rise to a subsequent chain of correspondence between Mr. Trippet and Major Bowes, of the Procurement Section at Wright Field. For convenience, these paragraphs of the mimeographed contract are set forth below:

FIRST

Licensor hereby grants to Government, commencing as of April 1, 1943, a nonexclusive right and license as hereinafter limited, under each and all of the claims of the said Patents No. 1,942,688 and No. 2,281,272 and under all other patents, applications for patents, and

present and future inventions or improvements, whether patented or unpatented, relating to airplane wings which now or hereafter may be owned or controlled by Licensor, or under which Licensor may have any right to grant licenses during the term hereinafter defined (all hereinafter sometimes collectively referred to as "the inventions"), to manufacture and sell or otherwise dispose of or cause to be manufactured and sold or otherwise disposed of throughout the United States and its territories, and to use throughout the world, airplane wings which embody said inventions. Licensor agrees not to make any claim against Government by virtue of any delivery, sale or other disposition of airplanes upon which a royalty has been paid to Licensor.

SECOND

The rights and license herein granted and conveyed shall be for Governmental purposes only and shall continue in effect until the end of the present National Emergency and for six (6) months thereafter, except that contracts entered into before the end of such period may be completed and all of the airplane wings which embody such inventions on hand at the end of said period, or completed as permitted herein, may be used, sold and/or disposed of without restriction.

The term "present National Emergency" as used herein shall be deemed to mean the present National Emergency declared by the Congress of the United States or by Presidential Proclamation (and whether or not involving war) as from time to time continuing and/or extended.

FOURTH

Licensor hereby agrees to grant, during and for the life of this Agreement, to such manufacturers as may be designated by Government, nonexclusive licenses to manufacture, use and sell airplane wings, embodying the inventions hereby licensed, at a royalty not to exceed Five Dollars and No Cents ($5.00) per airplane.

13. Upon receipt of the mimeographed contract referred to in the previous finding and under date of June 7, 1943,

Mr. Trippet wrote to the Procurement Section at Wright Field, which letter is quoted in part below (plaintiff's exhibit 23):

> Your letter of June 3rd has just been received.
>
> The changes made from the draft of the Agreement agreed upon while I was in Wright Field are all satisfactory, and in most instances improve upon the earlier draft, except two. I should like to have the words "under the terms of this Agreement," added at the end of Paragraph First on Page Two. If these words are omitted from the Agreement, airplanes could be manufactured and a royalty paid in any amount, say, $1.00 per airplane or they could be used for purposes other than Governmental purposes and we would have no claim on account thereof. This does not seem to be fair and I am sure you will not object to adding the wording suggested.
>
> The other change which I would like to have made is in Paragraph Fourth. After the word "for" in line one, add "a period of time coextensive with," and after the word "sell" in the third line add "for Governmental purposes only." These amendments should not be objectionable to you, and confine our obligation to grant licenses to the principal terms and conditions of our license to the Government.
>
> If you concur with these amendments, it will necessitate the rewriting of Page Two, and as such rewriting is necessary, may I respectfully suggest that we omit the "and/or" appearing in the next to the last line of the first paragraph of Article Second, and the last line of that Article. They do not appear at any other place in the Agreement.
>
> If you concur in making these changes and will cause Page Two to be rewritten and mimeographed and forward me a set, I will cause the Agreement to be executed immediately and returned to you.
>
> While I am waiting to hear from you, I have requested Consolidated to execute an Agreement between the Consolidated and Davis Airfoils so that we will be in a position to execute the contract with the Government immediately.

* * * * * *

14. In a letter dated June 11, 1943, bearing the initials of Maj. T. F. Bowes, the Procurement Section at Wright Field wrote plaintiff in part as follows (plaintiff's exhibit 24) and enclosed a redraft of page 2 (defendant's exhibit 2):[1]

> 1. This will acknowledge receipt of your letter of June 7, 1943, requesting certain changes be made in the subject contract.
>
> 2. The request contained in the second paragraph of your letter to the effect that the words "under the terms of this Agreement," be added at the end of paragraph First on page 2 is not acceptable to the Government. It is the understanding of this office that if Davis Airfoils, Inc., receives a royalty payment by virtue of any delivery, sale or other disposition of airplanes no further claim will be made against the Government. The purpose of the inclusion of the language in question was to avoid the creation of any problem with reference to Lend-Lease or a similar problem. Further, it is apparent that no payment made to Davis Airfoils, Inc., which does not conform to an Agreement to which your company is a party would be within the legal definition of the term "royalty payment."
>
> 3. The request that the words "for Governmental purposes only" be added after the word "sell" in the third line is not acceptable to the Government for the reason that again it may create a problem with reference to Lend-Lease airplanes.
>
> 4. The remaining changes suggested in your letter are agreeable and have been made.
>
> 5. Herewith are ten (10) copies of Page 2 which will reflect the changes which are agreeable to the Government. It is requested that you substitute these pages in the copies now in your possession and return to the Government forthwith three (3) signed numbers of the contract.
>
> • • • • • •

[1] The handwriting on the right-hand margin of this exhibit was added by Mr. Trippet after receipt of defendant's exhibit 2.

15. Mr. Trippet on June 18, 1943, replied in part as follows (plaintiff's exhibit 25):

* * * * * *

I am sorry that I am not yet in a position to advise my client to execute the agreement in its present form.

I am not particular as to just what language is used in the two places referred to in my letter of June 7th and referred to in Paragraphs 2 and 3 of your letter of June 11th. I will appreciate, however, your working out or suggesting some language that will be satisfactory to you and will, at the same time, meet my objections. Your Major Bowes with whom I worked on the final draft of the agreement before I left Wright Field will recall our discussion in connection with these two points.

The draft of the agreement agreed upon before I left Wright Field contained the words at the end of Article first on Page 2 which I requested to be included in the mimeographed copy. Not anticipating that the words would be eliminated, I was unable before leaving Wright Field to explain all of my reasons for wanting them included. In my letter of June 7th I pointed out what I thought would be a reasonable interpretation of the last sentence of Article first by giving two illustrations of situations which I felt might foreclose us from making a claim against the Government, when as a matter of fact terms of the agreement had not been lived up to.

In Paragraph 2 of your letter of the eleventh, you say, "It is the understanding of this office that if Davis Airfoils, Inc., receives a royalty payment by virtue of any delivery, sale or other disposition of airplanes no further claim will be made against the Government." Such, of course, is not our understanding, nor could it have been the understanding at the time we completed the final draft of the agreement before I left Wright Field as the language which I now wish included in Article first was included at that time. Neither do I see how such an understanding could be in your mind when you read the opening clause of Article second of the agreement in its present mimeographed form. That clause reads, "The rights and license herein granted

and conveyed shall be for Governmental purposes only * * *."

Thus, it is clear that our understanding could not have been that we have no claim for a royalty paid by virtue of "any delivery." May I respectfully suggest that I do not believe that the licensor can be called upon to waive a claim except for royalty payments made in accordance with the terms of the agreement.

If the particular language which was contained in the form of the final draft of the agreement at the time I left Wright Field is objectionable, as it now seems to be, may I suggest that perhaps it would not be objectionable to say "licensor agrees not to make any claim against Government by virtue of any delivery, sale, or disposition of airplanes upon which a royalty has been paid, in accordance herewith, to licensor."

You stated in the last sentence of Paragraph 2 of your letter of June 11th that no payment made to Davis which did not conform with the agreement would be within the legal definition of the term "royalty payment" as used in Article first. I believe the sentence just suggested probably clarifies this thought. As above indicated, any clarification of the sentence in question will be satisfactory with me provided it is clear that the broad statement made by you as to your understanding in the second sentence of Paragraph 2 of your letter of June 11th is not true. In other words, I feel that it is necessary that there be some limitation so that the agreement will not imply that the understanding is as you indicated it was.

I next asked you in my letter of June 7th to amend Article fourth in two particulars. You will recall that in the final draft of the agreement as prepared when I left Washington, Article fourth read "licensor agrees to grant at the instruction of Government to such manufacturers as may be designated by Government, non-exclusive licenses to manufacture, use and sell airplane wings embodying the inventions hereby licensed, upon the same terms, conditions and limitations as those contained in this license * * *."

Article fourth, as rewritten by you, in the mimeographed agreement would have required the licensor to grant licenses upon terms that were not defined

except as to the amount of the royalty. I requested you to incorporate in Article fourth the two other most important conditions of a license agreement, to wit: the period of time for which it was to run and the extent of the license. You kindly agreed to incorporate the limitation on the period of time such license was to run, but declined to incorporate a limitation on the extent of such license. As the license granted to the Government by the whole agreement is limited by the opening clause of Article second, the licenses we grant to others at the instruction of the Government must necessarily be limited to the same extent as the license to the Government is limited.

It was not our intention, and I am sure it was not the intention of those with whom we negotiated, that the Government could require us to grant a license to a manufacturer to use the invention for purely commercial purposes; yet unless some limiting language is included in Article fourth, such would be the effect of the Article.

I, therefore, must respectfully reiterate my request that Article fourth be clarified to the effect that the licenses we are required to grant shall be limited to the same extent as is the license granted to the Government.

I will, therefore, appreciate it very much if you will give this matter your further consideration. We are, of course, anxious to consummate this transaction if possible prior to June 30th so that our agreement with Consolidated may become effective; otherwise, Consolidated will be regularly obligated to make a payment of substantially more than we are willing to accept and complications would set in which might necessitate our having to change the arrangements worked out with the Royalty Adjustment Board. The reason I say this is that probably after the payment from Consolidated has accrued and become payable to my client, my client may not be able to lawfully forgive such payment without incurring a tax liability.

I cannot help but feel that the requests I have made herein are fair, and hope that you concur with me and can cause Page 2 once again to be rewritten so that we

can immediately execute the agreement and return it to you.

* * * * * *

16. Subsequent to mailing the letter of June 18, 1943, to Wright Field, Mr. Trippet received a telephone call from Captain Bruington on June 24, 1943, and contemporaneous with the telephone call Mr. Trippet wrote a memorandum for his file containing the substance of the telephone call, which memorandum read as follows:

> On June 24 Captain Bruington phoned me from Wright Field asking about the changes I wished made. He agreed that my requests were in order, and we worked out language which would "save face" for Major Bowes and still accomplish what I want. In the last sentence of article first, we agreed to insert "other than as herein contemplated" after "claim," and in article fourth to insert "and for the purposes herein specified" after "agreement."

17. On June 25, 1943, Captain Bruington sent the following interoffice memorandum to Major Bowes (defendant's exhibit 3):

> 1. The following changes in the subject contract have been approved orally by Mr. Trippet on behalf of Davis Airfoils, Inc., and meet with the approval of Captain Beveridge and Captain Lane, of the Patent Liaison Branch. I likewise approved them.
>
> First Paragraph: Last sentence: After the word "claims" in the third from last sentence, insert the words "other than as provided herein."
>
> Fourth Paragraph: After the word "Agreement" in the second line, insert the words "and for the purposes herein specified."
>
> 2. If these meet with your approval, it is deemed desirable to expedite the redrafting of Page Two of the Agreement in order that the contract may be executed by all parties prior to June 30, 1943.

18. Thereafter plaintiff received a letter dated June 25, 1943, in which the major changes originally proposed in plaintiff's letter of June 7, 1943, were accepted by defendant. The first paragraph of defendant's letter of June 25, 1943 (plaintiff's exhibit 26) read as follows:

> This will acknowledge receipt of your letter dated 18 June 1943, requesting certain changes be incorporated on page 2 of the subject contract. These changes have been made.

19. Following the foregoing chain of correspondence the contract was executed by the parties. Paragraphs 1, 2, and 4 of the contract in suit are herein set forth, with the crucial phraseology italicized.

> *First:* Licensor hereby grants to Government, commencing as of April 1, 1943, a nonexclusive right and license as hereinafter limited, under each and all of the claims of the said Patents No. 1,942,688 and No. 2,281,272 and under all other patents, applications for patents, and present and future inventions or improvements, whether patented or unpatented, relating to airplane wings which now or hereafter may be owned or controlled by Licensor, or under which Licensor may have any right to grant licenses during the term hereinafter defined (all hereinafter sometimes collectively referred to as "the inventions"), to *manufacture and sell or otherwise dispose of or cause to be manufactured and sold or otherwise disposed of throughout the United States and its territories, and to use throughout the world,* airplane wings which embody said inventions. Licensor agrees not to make any claim *other than as provided herein* against Government by virtue of any delivery, sale or other disposition of airplanes upon which a royalty has been paid to Licensor.
>
> *Second:* The rights and license herein granted and conveyed shall be *for Governmental purposes only* and shall continue in effect until the end of the present National Emergency and for six (6) months thereafter, except that contracts entered into before the

end of such period may be completed and all of the airplane wings which embody such inventions on hand at the end of said period, or completed as permitted herein, may be used, sold or disposed of without restriction.

The term "present National Emergency" as used herein shall be deemed to mean the present National Emergency declared by the Congress of the United States or by Presidential Proclamation (and whether or not involving war) as from time to time continuing or extended.

* * * * * *

*Fourth:* Licensor hereby agrees to grant, during and for a period of time coextensive with the life of this Agreement *and for the purposes herein specified,* to such manufacturers as may be designated by Government, non-exclusive licenses to manufacture, use and sell airplane wings, embodying the inventions hereby licensed, at a royalty not to exceed Five Dollars and No Cents ($5.00) per airplane. [Italics supplied.]

THE DAVIS PATENTS

20. It is a general rule with respect to patent licenses that the licensee waives his right to attack validity unless he expressly reserves the right to do so. In the Fowler contract, which was used as a model, this right was expressly reserved in the following phraseology:

> 3. It is hereby agreed that the Government does not by accepting this license admit the validity of any of the patents referred to herein or otherwise involved and that any and all defenses which the Government may now or hereafter have in connection with any of said patents are hereby reserved to the Government, all without waiving, forfeiting or impairing any rights under this license.

21. In the first working draft and more particularly in that part designated as defendant's exhibit 1, paragraph V departed from the reservation set forth above, in that it specified—

> Licensee agrees that it shall not, during the currency of this license, dispute the validity of the issued Letters Patent and that it will require each of its sub-licensees to agree not to dispute the validity of said issued Letters Patent, during the currency hereof.

This provision does not appear in any subsequent draft nor does it appear in the final draft.

22. With the entry of Major Bowes into the negotiations, the preparation of what was in many respects the last draft of the entire contract was completed (plaintiff's exhibit 20). In the retyped copy of this (plaintiff's exhibit 30) which Mr. Trippet took with him on his return to Los Angeles, paragraph thirteenth of the license contract was entitled "Reservation of Rights" and read as follows:

> It is understood that, notwithstanding this agreement, Government may proceed at any time, under the provisions of Public Law 768, 77th Congress, 2nd Session, and that as to the license hereby granted to Government of [or] hereafter issued at the request of Government, the royalties payable hereunder, or thereunder, as the case may be, will be subject to the provisions of that Act. Without limiting the generality of the foregoing, *it is agreed that Government reserves all rights set forth in title 60 of the Revised Statutes as to any action based in whole or in part upon the making, using or selling of any structure or invention in which Licensor or any one claiming under Licensor has or claims to have any interest. Said rights may be asserted by Government at any time before or after the institution of an action by Licensor under this agreement or any pertinent law or statute.* [Italics supplied.]

None of the letters received from Trippet subsequent to the preparation of the draft (plaintiff's exhibit 20) made any objection to this reservation provision. The phraseology included in the emphasized portion of paragraph

thirteenth as quoted above is included in the executed agreement between the parties.[2]

Plaintiff insists that defendant's motion for an order remanding the case to the Commissioner for the taking of further evidence as to the validity of claim 13, *supra*, should be denied on the grounds (1) that as a matter of law the defendant, being a licensee, may not question the validity of the patents covered by the license agreement and (2) that the evidence which the defendant desires to submit relative to claim 13 is not newly discovered evidence.

We are of the opinion from a consideration of the agreement of June 29, 1943, as a whole and particularly in view of paragraph thirteen thereof, quoted above, that the defendant expressly reserved the right in said agreement, in the circumstances presented in this case, to question the validity of the patents covered by the agreement of June 29, *supra*, and submit evidence in support of such claim of invalidity. It is the general rule, well established by the decisions of the courts, with respect to patent licenses, that a licensee waives his right to attack validity only in those cases where the right to do so is not expressly reserved. We think it clear that in the circumstances presented by this case the defendant under paragraph thirteen of the license agreement expressly reserved the right to interpose the defense of invalidity of the patents covered by said agreement. No case has been called to our attention, and we have found none, which holds that in circumstances such as are here presented a licensee is precluded from attacking the validity of the patents involved. Title 60 of the Revised Statutes (Act of July 8, 1870, 16 Stat. 200, *et seq.*) relates to Patents, Trademarks, and Copyrights. Chapter I of this title relates to patents. Section 4886, as interpreted by the courts from time to time since its enactment, defines an invention upon which a valid patent may issue. Various

[2] Title 60 is the basic group of patent statutes and sets forth what shall constitute a valid patent.

sections of this chapter contain defensive rights. The right of a defendant in a suit involving the use of an alleged invention covered by a patent, to interpose the defense of invalidity is clearly contained in Sections 4886 and 4888. Paragraph thirteen of the license agreement of June 29, 1943, clearly and specifically reserved to the Government *all rights* set forth in Title 60 of the Revised Statutes.

The plaintiff's first objection to defendant's motion is therefore denied.

With reference to plaintiff's second objection to defendant's motion, we are of opinion that a proper showing has been made by the defendant of newly discovered evidence not available for submission at the time of the trial of the case before the Commissioner, and that in view of the showing made by defendant in its motion for remand for further proof, and the exhibits attached to said motion, the case should be remanded to the Commissioner for the taking of further evidence as to the validity of claim 13. See Rule 48 of the rules of this court.

For the reasons stated, it is ordered by the court that this case be and the same hereby is remanded and referred to Commissioner Gordon, for the taking of such further proof as may be offered by defendant relating to claim 13 of patent No. 1,942,688, and such rebuttal evidence as may be offered by plaintiff with reference thereto. The case shall not be reopened for further proof by the party as to any other phase or claim with respect to the agreement of June 29, 1943, or the patents covered thereby.

HOWELL, *Judge;* MADDEN, *Judge;* WHITAKER, *Judge;* and JONES, *Chief Judge,* concur.

IN THE

# United States Court of Claims

No. 48775

(Decided October 5, 1954)

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DAVIS AIRFOILS, INC.

v.

THE UNITED STATES

*Mr. Edward Gallagher,* for the plaintiff.

*Mr. H. L. Godfrey,* with whom was *Mr. Assistant Attorney General, Warren E. Burger,* for the defendant.

*Mr. Jesse B. Grove, Jr.,* was on the brief.

LITTLETON, *Judge,* delivered the opinion of the court:

There are two patents involved in this case. The first patent No. 1,942,688 was issued to Davis January 9, 1934, on an application filed in the Patent Office May 25, 1931. This patent (findings 23-34) which relates to the development of an airfoil by means of certain mathematical formulas, was held invalid by the Commissioner of this court (findings 32 and 34) in that it would require experimentation with the values to be used in the formulas as expressed in claims 1-12, inclusive, and claim 13. Claim 7 of the patent was also held to be invalid (finding 29) because of a prior publication. Upon consideration of the record, the exceptions and the briefs and arguments of counsel for the parties, we adopt the Commissioner's findings.

The second Davis patent No. 2,281,272, was issued April 28, 1942, on an application which was not filed until May 9, 1938. There was thus an interval of over four years (finding 35) between the issue date of the first Davis patent and the filing date of the second Davis application. This patent also relates to a family of airfoils derived from four formulas.

The specification of the first Davis patent indicates to those skilled in the art that the constants $A$ and $B$, which are the basis of the formulas in that patent, may be varied in a mathematical sense so that one may be negative while the other is positive. Also, in the first Davis patent, with the exception of claim 13, the constants $A$ and $B$ are not limited to any specific value. If in the formulas of the first Davis patent the value of $B$ is selected to equal $-A$, and the numerical figure 0.6366198 in these formulas is written as $\frac{2}{\pi}$ (two divided by 3.1416) the first four formulas of the first Davis patent become identical with the four formulas claimed in the second patent, and the family of airfoils covered by the claims of the second patent is also covered by the claims of the first patent. The second patent is held void (finding 37) for the reasons hereinafter stated, because of double patenting.

DOUBLE PATENTING

A patent is a contract between the inventor and the public, the terms of which are formulated by the United States Patent Office. The inventor in such a contract gives as a consideration to the public a new and useful art, machine or composition of matter, and, in return, the public gives as a consideration to the inventor a monopoly expressed by the claims of the patent for a period limited by statute to 17 years, after which such monopoly expires and becomes dedicated to the public.

Where an inventor subsequently receives a second patent in which the monopoly expressed in the claim or claims is the same as that covered by the first patent, even though the phraseology of the claims differs therefrom, the 17-year period of monopoly is extended, and the second patent is therefore void because of double patenting, the inventor's rights having been exhausted by the first patent. In this situation the period of monopoly was extended more than 17 years by the issuance of the second Davis patent.

Plaintiff in this situation relies upon *H. C. White Co.* v. *Morton E. Converse & Son,* 20 F. 2d 311, 313. In that case the first patent was issued as a design patent, and the second patent was a mechanical patent. On the facts in that case the court stated as follows:

> A patent is a bargain between the sovereign and the inventor in which the consideration moving to the inventor is the grant. Whatever may be the result if throughout the granted term the inventor has had the enjoyment of his apparent monopoly, it seems to us that, when his patent is declared invalid before its expiry, the consideration fails and the counter consideration moving from the inventor—i.e., the dedication of the disclosure—may be revoked. There being no chance for apportionment of the dedication, it ought not therefore to be held that a subsequent and valid patent is itself invalidated because of the original dedication. The whole vice of double patenting arises from the fact that the second patent defeats the dedication made in the first by extending the term of the original monopoly. Anything, therefore, which relieves the inventor of the first dedication, sets him free again to dedicate the disclosure, if not otherwise abandoned, and leaves it as a valid consideration for the second grant. Since the design patent had not expired at the time of the decree declaring it void, the inventor had not enjoyed his entire consideration, and the second grant was adequately supported by the disclosure.

The present case, however, differs from the *White Co.* case in two aspects—(1) The first Davis patent expired January 9, 1951, during the pendency of the present suit. The plaintiff therefore enjoyed the monopoly granted in the first patent during the full 17-year period of that patent (a patent being assumed to be valid until declared otherwise) and as a matter of fact, plaintiff had entered into a license agreement which paid it royalties in substantial amounts (findings 4 and 5). Plaintiff therefore appears to have exhausted its monopoly predicated upon its first patent prior to its invalidation.

(2) Plaintiff's application of May 9, 1938, which matured into the second patent in suit, was not filed in the Patent Office until over four years after the first Davis patent issued. Under the patent statutes (35 U.S.C. 1940 Ed. 31) plaintiff's first patent is therefore effective both as a patent and a prior publication available to the public more than two years prior to the filing date of the second application, and, insofar as it claimed the same monopoly, it becomes a statutory bar, thereby invalidating the second Davis patent.

A discussion of an earlier patent invalidating a later patent, the later patent also being void for double patenting, is found in the case of *Handley Page, Ltd.* v. *Leech Aircraft*, 126 F. 2d 267, and cases therein cited.

The present case is now before the court on the legal question of the plaintiff's right to recover.

On June 29, 1943, plaintiff entered into a license agreement with defendant, identified as "Contract W-535 ac-40218 (10569)," and effective on April 1, 1943. This contract is hereinafter referred to as the contract in suit.

A true copy of this contract is appended to the petition as Appendix A, except that pursuant to a stipulation filed by the parties, the last sentence of paragraph "First" of the contract should be amended by removing the parentheses and by making plural the word "airplane."

The corrected sentence then reads:

> Licensor agrees not to make any claim other than as provided herein against Government by virtue of any delivery, sale or other disposition of airplanes upon which a royalty has been paid to Licensor.

The contract in suit specifically states that it "shall continue in effect until the end of the present National Emergency and for six (6) months thereafter." The contract was in full force and effect when the transactions involved in this case occurred.

The plaintiff alleges breach of the terms of this contract by the unauthorized disposal by the Government of certain airplanes.

The plaintiff alleges that Lend-Lease and Surplus Property disposal by the Government does not represent a governmental purpose under the license agreement in suit; and that it breached the license agreement when it performed such purposes, even though the license agreement contains no clauses prohibiting the performance of such governmental purposes.

The Government contends that the broad language of paragraphs "First" and "Second" of the license agreement permits Lend-Lease and Surplus Property disposal, and that such disposal clearly constitutes a governmental purpose. The Government further contends that the negotiations leading up to the signing of the license agreement, as shown in the findings, clearly establish that such was the expressed intent of the Government, and that it signed the license agreement with such expressed intent.

The Government also contends that, under the provision of the last sentence of paragraph "First" of the license agreement, once the $5 royalty has been paid as to any particular airplane, the plaintiff cannot make a further claim against the Government by virtue of any delivery, sale or other disposition of that particular airplane.

The Government further contends that plaintiff's claim for alleged breach of contract fails because of a failure of consideration due to the invalidity of the two licensed United States Davis patents. The issue of the defendant's right to contest the validity of the patents was decided in a previous hearing, 124 C. Cls. 499.

During the war years subsequent to April 1, 1943, the defendant caused to be manufactured 17,383 airplanes embodying the alleged inventions of the two United States Davis patents in suit (finding 38). And no other patents, United States or foreign, were found to be involved in this manufacture.

In accordance with the terms of the license agreement, the plaintiff has received the $5 royalty for each of these 17,383 airplanes (finding 39).

Thus, the plaintiff has received all the royalties agreed to be paid it under the license agreement in suit. But plaintiff alleges breach of contract growing out of the Lend-Lease and Surplus Property disposal of certain of these airplanes on which the $5 royalty has already been paid.

The plaintiff claims that to the extent that its invention was embodied in airplanes caused to be manufactured by defendant and used throughout the world by governments, and parties, other than the United States Government, and to the extent that airplanes embodying such inventions have been disposed of by defendant for other than governmental purposes, plaintiff has been damaged by the difference between a fair and reasonable royalty, namely, the sum of $800 per airplane, and the reduced royalty set forth in the agreement of $5 per airplane.

In view of our conclusions above set forth herein that the two Davis patents upon which the license of April 1, 1943, *supra*, and plaintiff's claims herein are based, are invalid, we find it unnecessary to discuss in detail the facts and the respective contentions of the parties relative to said license agreement, as to what the liability of the Government would be if the patents upon which such license was based were valid. It is sufficient to say that we agree with defendant's position that the invalidity of the Davis patents results in a failure of consideration for the license agreement (finding 3), and that this is a bar to plaintiff's claim for damages for the alleged breach of such agreement.

Upon the facts and under the terms and provisions of the patent statutes the plaintiff is not entitled to recover, and its petition is dismissed.

It is so ordered.

MADDEN, *Judge;* and JONES, *Chief Judge,* concur.

WHITAKER, *Judge,* concurring:

The majority opinion says the patents upon which plaintiff sues are invalid because they require experimentation "with the values to be used in the formulas as expressed in

claims 1-12, inclusive, and claim 13." For this reason it is decided that plaintiff is not entitled to recover. I am not sure that I understand what the majority opinion means. I prefer to rest the decision on the ground that the license granted the defendant covers the sales of which the plaintiff complains. I think it does.

LARAMORE, *Judge,* took no part in the consideration or decision of this case.

FINDINGS OF FACT

The court, having considered the evidence, the report of Commissioner Hayner H. Gordon, and the briefs and argument of counsel, makes findings of fact as follows:

The report of the commissioner in this case was originally filed on April 28, 1952.

On May 27, 1952, the defendant filed with the Court its motion asking that the case be referred to a commissioner for the purpose of receiving newly discovered evidence as to the validity of claim 13 of the Davis patent No. 1,942,688.

Pursuant to such motion and in an opinion of March 3, 1953, the court, 124 C. Cls. 499, remanded this case to the commissioner for the taking of such further proof as might be offered by defendant relating to claim 13 of the Davis patent, No. 1,942,688, and such rebuttal evidence as might be offered by the plaintiff with reference thereto.

Pursuant to such order of remand, the commissioner now makes the following amended report of his findings of fact:

1. Davis Airfoils, Inc., is a corporation organized and existing under the laws of the State of California, with its principal offices at 334½ North Sycamore Street, Los Angeles, California.

2. Plaintiff is the licensee of certain patents relating to the cross-sectional profile designs of airplane wings in front to rear section (currently known and referred to as the "Davis Wing"), for which United States Letters Patent No. 1,942,688 were issued January 9, 1934, and No. 2,281,272

on April 28, 1942. Copies of these patents are in evidence as defendant's exhibits 10 and 11 respectively.

3. On June 29, 1943, plaintiff entered into a license agreement with defendant, identified as "Contract W-535 ac-40218 (10569)," and effective on April 1, 1943. This contract is hereinafter referred to as the contract in suit.

A true copy of this contract is appended to the petition as Appendix A, except that pursuant to a stipulation filed by the parties, the last sentence of paragraph "First" of the contract should be amended by removing the parentheses and by making plural the word "airplane."

The corrected sentence then reads:

> Licensor agrees not to make any claim other than as provided herein against Government by virtue of any delivery, sale or other disposition of airplanes upon which a royalty has been paid to Licensor.

The contract in suit specifically states that it "shall continue in effect until the end of the present National Emergency and for six (6) months thereafter." The contract was in full force and effect when the transactions involved in this case occurred.

The plaintiff alleges breach of the terms of this contract by the unauthorized disposal by the Government of certain airplanes.

4. Prior to the effective date of the aforesaid contract in suit and on or about February 9, 1938, the plaintiff had entered into a license agreement with Consolidated Aircraft Corporation providing for the payment to plaintiff of a royalty for the use of the Davis airfoil or wing. This royalty was based on a sliding scale, beginning at ½ of 1% of the selling price of the airplane less engines, propellers, and usual Government-furnished materials, and decreasing to a minimum of 1/16 of 1% of such selling price. This license agreement was in part as follows:

> In the event that this Corporation uses the Davis airfoils on any experimental airplane, we agree to pay Mr.

Davis $2,500.00 for each first prototype employing same. For subsequent airplanes of the same model, we agree to pay royalties based upon the selling price of the airplanes (not including spares), less engines, propellers, and the usual Government furnished material, according to the following table as full compensation for the use of said airfoils:

| | *Percent* |
|---|---|
| 0 to $1,000,000 | ½ |
| $1,000,000 to $5,000,000 | ⅜ |
| $5,000,000 to $10,000,000 | ¼ |
| $10,000,000 and upwards | ⅛ |

When the total of royalties paid aggregates $50,000 the above scale of royalties will be reduced 50%. Said payments of royalties to be made quarterly from date of first use, within ten (10) days after the end of each quarter, and to cover all airplanes equipped with Davis Airfoil Sections produced in the said quarterly period, such royalty payments to be accompanied by a statement showing the number, type, and selling price of aircraft upon which the airfoil has been used.

This license agreement, plaintiff's exhibit 9, is made a part of this finding by reference.

5. Royalties in substantial amounts were paid under this license agreement, at the rates provided in the sliding scale, on 166 airplanes purchased by Great Britain directly from Consolidated in 1941 and prior thereto, and also on aircraft subsequently purchased for the United States Government. These royalties were paid over a period beginning in 1939 and extending to the effective date of the contract in suit (April 1, 1943). There is no evidence of any direct purchases of airplanes by Great Britain from Consolidated subsequent to 1941.

At the time of completion of the British contracts in 1941 the royalty rate being paid upon the airplanes sold directly to Great Britain was 1/16 of 1% of the net cost, with certain deductions.

At the time the contract in suit became effective the royalty rate on the B-24 airplanes paid by Consolidated

was 1/16 of 1% or $92.71 per plane at the then selling price of the planes (plaintiff's exhibit 29).

6. The negotiations that ultimately led up to the contract in suit were initiated by a letter dated April 2, 1943, from The Royalty Adjustment Board at Wright Field to the plaintiff. This letter read as follows:

> 1. The matter of your license agreement with the Consolidated Aircraft Corporation has been referred to The Royalty Adjustment Board for consideration under Public Law 768, 77th Congress, 2nd Session.
>
> 2. Before proceeding further in the matter, the Board is desirous of obtaining relevant facts pertaining to the agreement, the patent and patent applications involved, and the royalties paid and to be paid thereunder. It will be appreciated if you will indicate the earliest convenient date when an informed representative of your corporation will confer with the Board at this office.

Pursuant to this letter, the plaintiff, represented by David R. Davis, and its counsel, Oscar A. Trippet, conferred at Wright Field with Capt. Walter R. Bruington, executive officer of The Royalty Adjustment Board.

Initially the discussions concerned a reduction under the Royalty Adjustment Act in the amount of the royalty set forth in the Consolidated Aircraft Corporation contract. Subsequent to the initial discussions there was also some discussion of a settlement for alleged past infringement by Government contractors. The discussions, however, later turned to the negotiation of a license contract between the plaintiff and the Government, which contract, when executed, became the contract in suit.

In connection with this phase of the matter, a Major Bowes of the Procurement Division, which had contractual authority, entered into the picture as the responsible officer at Wright Field in charge of the negotiations and the final approval of the contract. Captain Bruington still assisted in an advisory capacity.

7. The present controversy centers about paragraphs 1, 2 and 13 of the contract in suit. The negotiations leading ultimately to paragraphs 1 and 2 are set forth below, and paragraph 13 is subsequently referred to in findings 20 to 22.

Early in the negotiations a royalty rate of $5 per airplane was agreed upon. In this connection, and as expressed in the second "Whereas" clause of the contract, the plaintiff was desirous of making available the wider use of airplane wings embodying the use of its inventions and—

> to have additional sources of supply for same, in the interest of facilitating the prosecution of Government's effort in the present National Emergency.

In connection with the reduction of the royalty rate it was plaintiff's objective, as expressed throughout the negotiations, not to have the airplanes thus acquired by the Government disposed of in such a way as to interfere with its postwar commercial interests in this country or its foreign markets.

On the contrary, it was the expressed objective of the Government's representatives that upon the payment of a royalty on an airplane the plaintiff could not make a further claim against the Government by virtue of any delivery, sale or other disposition of that particular airplane.

8. In the preparation of the preliminary drafts of paragraphs 1 and 2 of the contract in suit, paragraph 1 of a previous license agreement known as the Fowler contract and also relating to airplane parts (plaintiff's exhibit 17) was used as a guide. Paragraph 1 of the Fowler agreement reads as follows:

> 1. The Licensor hereby grants to the Government an irrevocable, nonexclusive right and license under each of the claims of the patents hereinbefore in the preamble of this license agreement enumerated, and/or referred to, and under all other patents and/or

applications for patents and/or present and future inventions or improvements whether patented or unpatented relating to the Commodity herein defined and/or to the manufacture thereof which now or hereafter may be owned or controlled by Licensor, or under which Licensor may have any right to grant licenses, during the term hereinafter defined, to manufacture, use, sell, and/or otherwise dispose of the Commodity *including disposition to lend-lease countries under the act of March 11, 1941, as amended*, and/or cause the Commodity to be manufactured, used, sold and/or otherwise disposed of throughout the world, and to employ or have employed, in any manner deemed necessary or expedient for the foregoing purposes, any designs, specifications, drawings, or other information, relating to the Commodity, supplied by Licensor to the Government or to nominees or representatives thereof. It is understood that the license herein granted is limited to the manufacture, use, sale or other disposition of the Commodity, or information relating thereto, *by or for the Government for Governmental purposes.* [Italics supplied.]

9. The first working draft comprised two sheets containing the "Whereas" clauses and certain other matter (defendant's exhibit 1) and a single sheet containing a tentative draft of paragraphs 1 and 2 of the contract (plaintiff's exhibit 18).

The first paragraph of this draft departed from the language of the Fowler contract by eliminating reference to lend-lease business and by eliminating language that would authorize the Government to sell or otherwise dispose of aircraft employing the Davis wing throughout the world.

The second paragraph of this draft differed from the Fowler contract by changing the wording from "Governmental purposes" to "military purposes" and added a clause stating that the Government might at any time and from time to time dispose of aircraft manufactured under the license without restriction.

10. In the next working draft (plaintiff's exhibit 19) paragraph 1 was changed in the opening clause, which refers to licensor granting to the Government a nonexclusive right and license, by adding after the word license, "as hereinafter limited," and by the inclusion of the following language at the end of paragraph 1:

> The right to manufacture and sell herein granted may be exercised only in the United States. The right to use, however, shall extend to all parts of the world.

In this working draft the language of paragraph 2 relating to the use of the licensed airplanes by the Government was changed from "military purposes" to "its Governmental purposes."

11. At a subsequent conference at which Captain Bruington, Mr. Trippet and Major Bowes were present, the next draft, and what was in many respects the last draft, of the entire contract was completed (plaintiff's exhibit 20). At this conference the provisions of Section 2 were the subject of further discussion and it was agreed that the terms of this section could be further clarified so as to more simply express the intent of the parties. These changes were incorporated in a subsequent mimeographed copy of the contract and were carried into the final draft as it was executed by the parties.

Following this conference Mr. Davis and Mr. Trippet returned to Los Angeles, Mr. Trippet carrying with him a retyped copy of plaintiff's exhibit 20, such retyped copy being identified as plaintiff's exhibit 30. Paragraphs 1 and 2 of plaintiff's exhibits 20 and 30 read as follows:

> 1. Licensor hereby grants to Government, commencing as of April 1, 1943, a nonexclusive right and license as hereinafter limited, under each of the said patents and under all other patents or applications for patents or present and future inventions or improvements, whether patented or unpatented, relating to the airplane wings herein defined, which now or hereafter may be owned or controlled by Licensor, or under

which Licensor may have any right to grant licenses during the term hereinafter defined, to manufacture and sell or otherwise dispose of or cause to be manufactured and sold or otherwise disposed of throughout the United States and its territories, and to use throughout the world, airplane wings which embody said inventions. Licensor agrees not to make any claim against Government by virtue of any delivery, sale, or other disposition of airplanes upon which a royalty was paid under the terms of this Agreement.

2. The License described in Paragraph First hereof is limited to the manufacture, use, sale, or other disposition of airplane wings which embody said inventions, to or for, directly or indirectly, Government for its Governmental purposes during the continuance of the present National Emergency and for six months after the termination thereof; provided, however, that any bona fide contracts let for the manufacture of airplane wings which embody said inventions, and which are not completed prior to the termination hereof, may be completed; and provided further, that at any time and from time to time after the termination hereof, the Government may, without restriction, use, sell or otherwise dispose of, or cause to be used, sold or otherwise disposed of, any of the airplanes manufactured under this License.

The term "present National Emergency" as used herein shall be deemed to mean the present National Emergency declared by the Congress of the United States or by Presidential Proclamation (and whether or not involving war) as from time to time continuing or extended.

12. Following the return of Mr. Davis and Mr. Trippet to Los Angeles, plaintiff received a letter dated June 3, 1943, bearing the initials of Major Bowes and enclosing three mimeographed copies of the purported contract, with the request that it be duly executed and returned. There were, however, certain changes in the mimeographed copy which differed from the final draft considered by the parties at Wright Field. These changes involved paragraphs 1

and 2 and also paragraph 4, and gave rise to a subsequent chain of correspondence between Mr. Trippet and Major Bowes, of the Procurement Section at Wright Field. For convenience, these paragraphs of the mimeographed contract are set forth below:

FIRST

Licensor hereby grants to Government, commencing as of April 1, 1943, a nonexclusive right and license as hereinafter limited, under each and all of the claims of the said Patents No. 1,942,688 and No. 2,281,272 and under all other patents, applications for patents, and present and future inventions or improvements, whether patented or unpatented, relating to airplane wings which now or hereafter may be owned or controlled by Licensor, or under which Licensor may have any right to grant licenses during the term hereinafter defined (all hereinafter sometimes collectively referred to as "the inventions"), to manufacture and sell or otherwise dispose of or cause to be manufactured and sold or otherwise disposed of throughout the United States and its territories, and to use throughout the world, airplane wings which embody said inventions. Licensor agrees not to make any claim against Government by virtue of any delivery, sale or other disposition of airplanes upon which a royalty has been paid to Licensor.

SECOND

The rights and license herein granted and conveyed shall be for Governmental purposes only and shall continue in effect until the end of the present National Emergency and for six (6) months thereafter, except that contracts entered into before the end of such period may be completed and all of the airplane wings which embody such inventions on hand at the end of said period, or completed as permitted herein, may be used, sold and/or disposed of without restriction.

The term "present National Emergency" as used herein shall be deemed to mean the present National Emergency declared by the Congress of the United States or by Presidential Proclamation (and whether or not involving war) as from time to time continuing and/or extended.

FOURTH

Licensor hereby agrees to grant, during and for the life of this Agreement, to such manufacturers as may be designated by Government, nonexclusive licenses to manufacture, use and sell airplane wings, embodying the inventions hereby licensed, at a royalty not to exceed Five Dollars and No Cents ($5.00) per airplane.

13. Upon receipt of the mimeographed contract referred to in the previous finding and under date of June 7, 1943, Mr. Trippet wrote to the Procurement Section at Wright Field, which letter is quoted in part below (plaintiff's exhibit 23):

> Your letter of June 3rd has just been received.
>
> The changes made from the draft of the Agreement agreed upon while I was in Wright Field are all satisfactory, and in most instances improve upon the earlier draft, except two. I should like to have the words "under the terms of this Agreement," added at the end of Paragraph First on Page Two. If these words are omitted from the Agreement, airplanes could be manufactured and a royalty paid in any amount, say, $1.00 per airplane or they could be used for purposes other than Governmental purposes and we would have no claim on account thereof. This does not seem to be fair and I am sure you will not object to adding the wording suggested.
>
> The other change which I would like to have made is in Paragraph Fourth. After the word "for" in line one, add "a period of time coextensive with," and after the word "sell" in the third line add "for Governmental purposes only." These amendments should not be objectionable to you, and confine our obligation to grant licenses to the principal terms and conditions of our license to the Government.
>
> If you concur with these amendments, it will necessitate the rewriting of Page Two, and as such rewriting is necessary, may I respectfully suggest that we omit the "and/or" appearing in the next to the last line of the first paragraph of Article Second, and the last line of that Article. They do not appear at any other place in the Agreement.

If you concur in making these changes and will cause Page Two to be rewritten and mimeographed and forward me a set, I will cause the Agreement to be executed immediately and returned to you.

While I am waiting to hear from you, I have requested Consolidated to execute an Agreement between the Consolidated and Davis Airfoils so that we will be in a position to execute the contract with the Government immediately.

• • • • • •

14. In a letter dated June 11, 1943, bearing the initials of Maj. T. F. Bowes, the Procurement Section at Wright Field wrote plaintiff in part as follows (plaintiff's exhibit 24) and enclosed a redraft of page 2 (defendant's exhibit 2).[1]

1. This will acknowledge receipt of your letter of June 7, 1943, requesting certain changes be made in the subject contract.

2. The request contained in the second paragraph of your letter to the effect that the words "under the terms of this Agreement," be added at the end of paragraph First on page 2 is not acceptable to the Government. It is the understanding of this office that if Davis Airfoils, Inc., receives a royalty payment by virtue of any delivery, sale or other disposition of airplanes no further claim will be made against the Government. The purpose of the inclusion of the language in question was to avoid the creation of any problem with reference to Lend-Lease or a similar problem. Further, it is apparent that no payment made to Davis Airfoils, Inc., which does not conform to an Agreement to which your company is a party would be within the legal definition of the term "royalty payment."

3. The request that the words "for Governmental purposes only" be added after the word "sell" in the third line is not acceptable to the Government for the reason that again it may create a problem with reference to Lend-Lease airplanes.

---

[1] The handwriting on the right-hand margin of this exhibit was added by Mr. Trippet after receipt of defendant's exhibit 2.

4. The remaining changes suggested in your letter are agreeable and have been made.

5. Herewith are ten (10) copies of Page 2 which will reflect the changes which are agreeable to the Government. It is requested that you substitute these pages in the copies now in your possession and return to the Government forthwith three (3) signed numbers of the contract.

* * * * * *

15. Mr. Trippet on June 18, 1943, replied in part as follows (plaintiff's exhibit 25):

I am sorry that I am not yet in a position to advise my client to execute the agreement in its present form.

I am not particular as to just what language is used in the two places referred to in my letter of June 7th and referred to in Paragraphs 2 and 3 of your letter of June 11th. I will appreciate, however, your working out or suggesting some language that will be satisfactory to you and will, at the same time, meet my objections.

Your Major Bowes with whom I worked on the final draft of the agreement before I left Wright Field will recall our discussion in connection with these two points.

The draft of the agreement agreed upon before I left Wright Field contained the words at the end of Article first on Page 2 which I requested to be included in the mimeographed copy. Not anticipating that the words would be eliminated, I was unable before leaving Wright Field to explain all of my reasons for wanting them included. In my letter of June 7th I pointed out what I thought would be a reasonable interpretation of the last sentence of Article first by giving two illustrations of situations which I felt might foreclose us from making a claim against the Government, when as a matter of fact terms of the agreement had not been lived up to.

In Paragraph 2 of your letter of the eleventh, you say, "It is the understanding of this office that if Davis Airfoils, Inc., receives a royalty payment by virtue of any delivery, sale or other disposition of airplanes no

further claim will be made against the Government." Such, of course, is not our understanding, nor could it have been the understanding at the time we completed the final draft of the agreement before I left Wright Field as the language which I now wish included in Article first was included at that time. Neither do I see how such an understanding could be in your mind when you read the opening clause of Article second of the agreement in its present mimeographed form. That clause reads, "The rights and license herein granted and conveyed shall be for Governmental purposes only * * *."

Thus, it is clear that our understanding could not have been that we have no claim for a royalty paid by virtue of "any delivery." May I respectfully suggest that I do not believe that the licensor can be called upon to waive a claim except for royalty payments made in accordance with the terms of the agreement.

If the particular language which was contained in the form of the final draft of the agreement at the time I left Wright Field is objectionable, as it now seems to be, may I suggest that perhaps it would not be objectionable to say "licensor agrees not to make any claim against Government by virtue of any delivery, sale, or disposition of airplanes upon which a royalty has been paid, in accordance herewith, to licensor."

You stated in the last sentence of Paragraph 2 of your letter of June 11th that no payment made to Davis which did not conform with the agreement would be within the legal definition of the term "royalty payment" as used in Article first. I believe the sentence just suggested probably clarifies this thought. As above indicated, any clarification of the sentence in question will be satisfactory with me provided it is clear that the broad statement made by you as to your understanding in the second sentence of Paragraph 2 of your letter of June 11th is not true. In other words, I feel that it is necessary that there be some limitation so that the agreement will not imply that the understanding is as you indicated it was.

I next asked you in my letter of June 7th to amend Article fourth in two particulars. You will recall that in the final draft of the agreement as prepared when I left Washington, Article fourth read "licensor

agrees to grant at the instruction of Government to such manufacturers as may be designated by Government, non-exclusive licenses to manufacture, use and sell airplane wings embodying the inventions hereby licensed, upon the same terms, conditions and limitations as those contained in this license * * *."

Article fourth, as rewritten by you, in the mimeographed agreement would have required the licensor to grant licenses upon terms that were not defined except as to the amount of the royalty. I requested you to incorporate in Article fourth the two other most important conditions of a license agreement, to wit: the period of time for which it was to run and the extent of the license. You kindly agreed to incorporate the limitation on the period of time such license was to run, but declined to incorporate a limitation on the extent of such license. As the license granted to the Government by the whole agreement is limited by the opening clause of Article second, the licenses we grant to others at the instruction of the Government must necessarily be limited to the same extent as the license to the Government is limited.

It was not our intention, and I am sure it was not the intention of those with whom we negotiated, that the Government could require us to grant a license to a manufacturer to use the invention for purely commercial purposes; yet unless some limiting language is included in Article fourth, such would be the effect of the Article.

I, therefore, must respectfully reiterate my request that Article fourth be clarified to the effect that the licenses we are required to grant shall be limited to the same extent as is the license granted to the Government.

I will, therefore, appreciate it very much if you will give this matter your further consideration. We are, of course, anxious to consummate this transaction if possible prior to June 30th so that our agreement with Consolidated may become effective; otherwise, Consolidated will be regularly obligated to make a payment of substantially more than we are willing to accept and complications would set in which might necessitate our having to change the arrangements worked out with the Royalty Adjustment Board. The reason I say this

is that probably after the payment from Consolidated has accrued and become payable to my client, my client may not be able to lawfully forgive such payment without incurring a tax liability.

I cannot help but feel that the requests I have made herein are fair, and hope that you concur with me and can cause Page 2 once again to be rewritten so that we can immediately execute the agreement and return it to you.

* * * * * *

16. Subsequent to mailing the letter of June 18, 1943, to Wright Field, Mr. Trippet received a telephone call from Captain Bruington on June 24, 1943, and contemporaneous with the telephone call Mr. Trippet wrote a memorandum for his file containing the substance of the telephone call, which memorandum read as follows:

> On June 24 Captain Bruington phoned me from Wright Field asking about the changes I wished made. He agreed that my requests were in order, and we worked out language which would "save face" for Major Bowes and still accomplish what I want. In the last sentence of article first, we agreed to insert "other than as herein contemplated" after "claim," and in article fourth to insert "and for the purposes herein specified" after "agreement."

17. On June 25, 1943, Captain Bruington sent the following interoffice memorandum to Major Bowes (defendant's exhibit 3):

> 1. The following changes in the subject contract have been approved orally by Mr. Trippet on behalf of Davis Airfoils, Inc., and meet with the approval of Captain Beveridge and Captain Lane, of the Patent Liaison Branch. I likewise approved them.
>
> First Paragraph: Last sentence: After the word "claims" in the third from last sentence, insert the words "other than as provided herein."
>
> Fourth Paragraph: After the word "Agreement" in the second line, insert the words "and for the purposes herein specified."

2. If these meet with your approval, it is deemed desirable to expedite the redrafting of Page Two of the Agreement in order that the contract may be executed by all parties prior to June 30, 1943.

18. Thereafter plaintiff received a letter dated June 25, 1943, in which the major changes originally proposed in plaintiff's letter of June 7, 1943, were accepted by defendant. The first paragraph of defendant's letter of June 25, 1943 (plaintiff's exhibit 26) read as follows:

> This will acknowledge receipt of your letter dated 18 June 1943, requesting certain changes be incorporated on page 2 of the subject contract. These changes have been made.

19. Following the foregoing chain of correspondence the contract was executed by the parties. Paragraphs 1, 2, and 4 of the contract in suit are herein set forth, with the crucial phraseology italicized.

> *First:* Licensor hereby grants to Government, commencing as of April 1, 1943, a nonexclusive right and license as hereinafter limited, under each and all of the claims of the said Patents No. 1,942,688 and No. 2,281,272 and under all other patents, applications for patents, and present and future inventions or improvements, whether patented or unpatented, relating to airplane wings which now or hereafter may be owned or controlled by Licensor, or under which Licensor may have any right to grant licenses during the term hereinafter defined (all hereinafter sometimes collectively referred to as "the inventions"), to *manufacture and sell or otherwise dispose of or cause to be manufactured and sold or otherwise disposed of throughout the United States and its territories, and to use throughout the world,* airplane wings which embody said inventions. Licensor agrees not to make any claim *other than as provided herein* against Government by virtue of any delivery, sale or other disposition of airplanes upon which a royalty has been paid to Licensor.
>
> *Second:* The rights and license herein granted and conveyed shall be *for Governmental purposes only* and shall continue in effect until the end of the present

National Emergency and for six (6) months thereafter, except that contracts entered into before the end of such period may be completed and all of the airplane wings which embody such inventions on hand at the end of said period, or completed as permitted herein, may be used, sold or disposed of without restriction.

The term "present National Emergency" as used herein shall be deemed to mean the present National Emergency declared by the Congress of the United States or by Presidential Proclamation (and whether or not involving war) as from time to time continuing or extended.

* * * * * *

*Fourth:* Licensor hereby agrees to grant, during and for a period of time coextensive with the life of this Agreement *and for the purposes herein specified,* to such manufacturers as may be designated by Government, non-exclusive licenses to manufacture, use and sell airplane wings, embodying the inventions hereby licensed, at a royalty not to exceed Five Dollars and No Cents ($5.00) per airplane. [Italics supplied.]

THE DAVIS PATENTS

20. It is a general rule with respect to patent licenses that the licensee waives his right to attack validity unless he expressly reserves the right to do so. In the Fowler contract, which was used as a model, this right was expressly reserved in the following phraseology:

> 3. It is hereby agreed that the Government does not by accepting this license admit the validity of any of the patents referred to herein or otherwise involved and that any and all defenses which the Government may now or hereafter have in connection with any of said patents are hereby reserved to the Government, all without waiving, forfeiting or impairing any rights under this license.

21. In the first working draft and more particularly in that part designated as defendant's exhibit 1, paragraph V departed from the reservation set forth above, in that it specified—

> Licensee agrees that it shall not, during the currency of this license, dispute the validity of the issued Letters Patent and that it will require each of its sub-licensees to agree not to dispute the validity of said issued Letters Patent, during the currency hereof.

This provision does not appear in any subsequent draft nor does it appear in the final draft.

22. With the entry of Major Bowes into the negotiations, the preparation of what was in many respects the last draft of the entire contract was completed (plaintiff's exhibit 20). In the retyped copy of this (plaintiff's exhibit 30) which Mr. Trippet took with him on his return to Los Angeles, paragraph thirteenth of the license contract was entitled "Reservation of Rights" and read as follows:

> It is understood that, notwithstanding this agreement, Government may proceed at any time, under the provisions of Public Law 768, 77th Congress, 2nd Session, and that as to the license hereby granted to Government of [or] hereafter issued at the request of Government, the royalties payable hereunder, or thereunder, as the case may be, will be subject to the provisions of that Act. Without limiting the generality of the foregoing, *it is agreed that Government reserves all rights set forth in title 60 of the Revised Statutes as to any action based in whole or in part upon the making, using or selling of any structure or invention in which Licensor or any one claiming under Licensor has or claims to have any interest. Said rights may be asserted by Government at any time before or after the institution of an action by Licensor under this agreement or any pertinent law or statute.* [Italics supplied.]

None of the letters received from Trippet subsequent to the preparation of the draft (plaintiff's exhibit 20) made any objection to this reservation provision. The phraseology included in the emphasized portion of paragraph thirteenth as quoted above is included in the executed agreement between the parties.[2]

---

[2] Title 60 is the basic group of patent statutes and sets forth what shall constitute a valid patent.

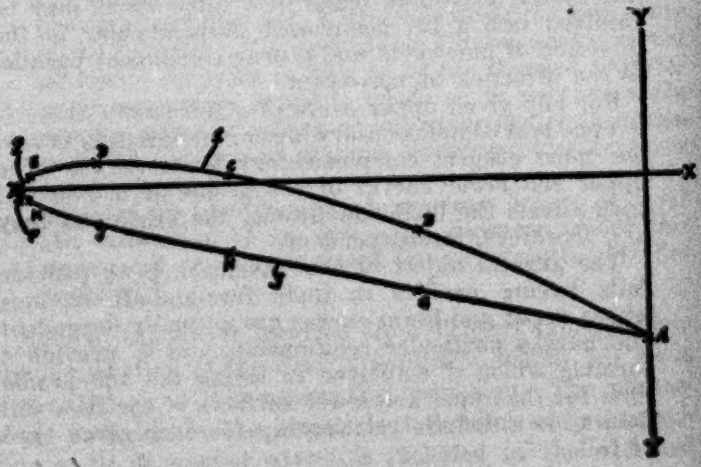
23. The first patent forming the basis of the contract in suit is patent No. 1,942,688 issued to David R. Davis January 9, 1934, on an application filed in the United States Patent Office on May 25, 1931. A copy of this patent is in evidence as defendant's exhibit 10 and is made a part of this finding by reference.

The subject matter of this invention is well described in the preliminary portion of the specifications, which is quoted as follows:

> This invention relates to a construction of foils to be driven through a fluid, and particularly concerns the profile of the foil in its front to rear section. While the invention may be applied to a foil used in any medium, it has its greatest usefulness when applied in the construction of airfoils for air vehicles.
>
> The upper surface of a fluid foil should have a profile, which, when the foil is driven through the fluid, will develop a region of reduced pressure on the upper side of the foil, and the under side of a foil should have a profile which will develop a region of increased pressure on the under side of the foil. These differential pressures result in a force which may be resolved into a lift component perpendicular to the direction of movement and a drag component parallel to the direction of movement.
>
> For any given upper curve of a foil profile there is but one best complementary lower curve, that is to say, one most efficient complementary lower curve. The upper and lower curves of the profile of a fluid foil each affects the fluid flow around the other and they are, therefore, interdependent.
>
> The general object of this invention is to provide foils having profiles in their fore-and-aft sections whose upper and lower curves are mutually dependent and have a particular relationship, and to provide a formula which if employed in laying out the profile lines for the upper and lower surfaces of the foils will determine a definite relationship for each given type of foil.
>
> A further object of the invention is to provide a foil, the profile of which is determined by a formula, such

as referred to above, and having two variable coefficients, these variable coefficients being constant for the development of the top and bottom curves of any given foil section, the value of these coefficients determining the shape of the profile; also to provide a foil in which, when the upper profile has a definite form, a lower profile line can be determined to correspond with the determined upper profile line and all in accordance with the same formula.

24. The specification and claims with the exception of claim 7 set forth four formulas which include two variables referred to in the formulas respectively as $A$ and $B$. These formulas are of the type used in mathematics by means of which curves may be plotted with respect to $X$ and $Y$ axes, the character or contour of the curves being dependent upon the variables used in the formulas. The use of these formulas in plotting the cross section of foils or airfoils, as known in the aviation art, is exemplified by the figure of this patent, which shows a cross section of an airfoil plotted in accordance with the formula value $A = 0.717257$ and $B = 0.208228$. A reproduction of this figure follows.



25. The specification states as follows with respect to the values to be given *A* and *B*:

> When *B* is given the same value as *A*, a streamline will be formed. If this value is changed, but maintaining *A* and *B* equal, other streamlines will be formed. If a complete streamline foil is developed in this way, and as the value of *A* becomes less, the maximum vertical ordinate of the streamline expressed in percentage of the chord will become smaller and the maximum ordinate will occur near the nose of the foil. If the value of *A* becomes greater, the reverse is true. Therefore, in the equation, a value given to *A* denotes the streamline from which this foil illustrated has been derived.
>
> The value of *B* determines the angle of attack of the foil, in other words, the orientation of the foil in a vertical plane with respect to the horizontal axis, *X*, *X*. By varying these constants *A* and *B* one at a time, foils having special characteristics desirable for special service can be readily determined. I am using the term "varying" in its mathematical sense, and hence either of these terms of my equation may be negative while the other is positive.

In addition, the specification states that foils constructed in accordance with the formulas will give most satisfactory results when the value of *B* is from 18% to 33% of the value of *A*. Other than this statement, the quotation given above and the values given by way of example in the specification and from which the figure reproduced from the patent was obtained, no particular values for *A* and *B* are suggested.

26. By way of example, claim 1 of the patent is quoted as follows:

1. A foil having an upper and lower profile, said profiles being correlated and conforming to the following formula, substantially as described:

suction face or upper camber

$$X_s = \sin\theta[0.6366198(A-B)+B]+\tan\theta[\{1-(0.6366198)(\theta)\}(1-A)]$$

$$Y_s = \cos\theta[0.6366198(A-B)+B]-A[1-(0.6366198)(\theta)]$$

pressure face or lower camber

$$X_p = \sin\theta[0.6366198(A-B)+B]+\tan\theta[\{1-(0.6366198)(\theta)\}(1-A)]$$

$$Y_p = \cos\theta[0.6366198(A-B)-B]-(A-2B)[1-(0.6366198)(\theta)]$$

The patent contains thirteen claims, the formulas being identical in all of the claims with the exception of claim 7. No upper or lower limits are placed on the values of $A$ or $B$ in any of the formulas set forth in claims 1 to 6, inclusive, 8, 9, 11, and 12. Claim 10 states that the value of $A$ of the formula is less or greater than 1, but the claim does not set forth any fixed lower value of $A$ below 1 or any fixed higher value of $A$ above 1.

Claim 13 states that $B$ shall be 18% to 33% of the value of $A$ but nothing further is set forth as to the value of $A$ or its range of values.

27. Claim 7 is not limited to any specific formulas but relates broadly to a foil having a profile determined by two variable coefficients. This claim reads as follows:

> 7. A foil having a profile determined by a formula to determine the profile of its fore-and-aft cross section having but two variable coefficients, the lift and drag of the resultant foils being dependent upon the values of these coefficients.

28. The Journal of the Royal Aeronautical Society published July 1923 contains an article entitled "Two-Dimensional Aerofoil Theory." A photostatic copy of this article is incorporated herein by reference as defendant's exhibit 6.

On page 355 of defendant's exhibit 6 and under the heading "Joukowsky Aerofoils" is discussed a series of

airfoils defined by an equation having but two variable coefficients, the lift and drag of the resulting airfoils being dependent upon the values of these two coefficients. These formulas are as follows:

(2) $$X/c=2\cos\theta$$

(1) $$Y/c=2\sin\theta\{m(1+\cos\theta)+\beta\sin\theta$$

The defendant has prepared a sheet of six airfoils (defendant's exhibit 7) resulting from different choices of combinations of the two variables $m$ and beta in the above.

29. The Joukowsky formulas and the formulas of the first Davis patent, as set forth in the specification and claims 1-6, inclusive, and 8-13, inclusive, are different. Claim 7 of the first Davis patent, however, is not limited to the formulas set forth in either the specification of the first Davis patent or in the claims thereof. This claim is invalid, in view of the publication referred to in Finding 28 (defendant's exhibit 6).

30. In the example given in the first Davis patent and from which the airfoil shown in the drawing of the patent was obtained, $A$ equals 0.717257 and $B$ equals 0.208228. These exemplary values for the constants $A$ and $B$ fall within the teaching of the specification that the formula will give the most satisfactory results when the value of $B$ is from 18% to 33% of the value of $A$. The specification also teaches that a series or family of closely related foils may be developed by gradually increasing or decreasing the values of $A$ in relationship to the values of $B$, and in the same way the values of $B$ can be varied to produce another series of modified foils. The specification states that by using the formulas a certain single definite lower camber outline will be determined to correspond with the upper or suction profile line. The purpose and use of the invention is set forth as follows:

> By practicing my invention, fluid profiles suitable for particular purposes may be determined with mathematical accuracy, and it is possible to develop a

number of series of profiles deviating from each other gradually, and this possibility is particularly valuable because when such a series is tested, the foil having the characteristics best suited to particular service can be determined.

The upper and lower camber outlines have mutual action one upon the other, so that only a particular combination of outlines will give the most effective fluid foil. This system gives such a combination, and is at the same time adaptable to producing foils for a certain definite purpose, in other words fluid foil profiles may be determined by this system to give high lift or low drag, or a high ratio of lift to drag; also to determine effective foil outlines to meet any given structural requirement.

The specification further indicates that either of the constants *A* or *B* may be negative while the other is positive, but it does not teach that both of these constants may be negative.

31. The Government's expert, by the selection of certain arbitrary values for *A* and *B*, has produced a series of eight inoperative foils, illustrated in defendant's exhibit 4-A in evidence. These are shown, respectively, in Figs. 1-8 inclusive, and the arbitrary figures selected for the production of these foils are tabulated below:

| | | |
|---|---|---|
| Fig. 1 | *A*=..... | — .75 |
| | *B*=..... | — .75 |
| Fig. 2 | *A*=..... | —1.13 |
| | *B*=..... | —1.13 |
| Fig. 3 | *A*=..... | —1.5 |
| | *B*=..... | —1.5 |
| Fig. 4 | *A*=..... | —3.8966 |
| | *B*=..... | —3.8966 |
| Fig. 5 | *A*=..... | —19.77 |
| | *B*=..... | — 4.64 |
| Fig. 6 | *A*=..... | — 7.0 |
| | *B*=..... | — 1.75 |
| Fig. 7 | *A*=..... | 10.0 |
| | *B*=..... | 1.0 |
| Fig. 8 | *A*=..... | —B=2 |

In Figs. 1-6 inclusive, the values selected for the constants *A* and *B* are both negative in character. Such dual negative values are outside the teaching of the patent.

In Fig. 7 the constants are both positive in character and the value of *B* is 10% of the value of *A*, and in Fig. 8 the arbitrary figures here selected for the constants are

that $A$ equals $-B$ and also equals $+2$. The specification, while teaching that the values of $A$ and $B$ may be of opposite sign, is silent regarding either equality of the absolute magnitudes of these constants or their range of numerical values.

32. The Government expert did not especially try to obtain operative airfoils in connection with the application of the formulas. Insofar as claims 1-12 inclusive are concerned, these claims contain no limitation as to the range of numerical values of $A$ and $B$. To obtain operative airfoils would require experimentation with the values to be used in the formulas. This group of claims does not particularly point out and distinctly claim an identifiable invention or discovery, and they are therefore invalid.

33. With respect to claim 13 of the first Davis patent, the Government's expert, by the selection of certain additional arbitrary value for $A$ and $B$, has produced a series of six inoperative foils, all coming within the phraseology of this claim. These inoperative foils, drawn to scale, are shown, respectively, in Figs. 1 to 6, inclusive, of defendant's exhibit 12 (a) in evidence. The figures selected for the production of these foils are tabulated below:

| | | | | | |
|---|---|---|---|---|---|
| Fig. 1 | $A$= | 100 | Fig. 4 | $A$= | 20 |
| | $B$= | 19 | | $B$= | 5 |
| Fig. 2 | $A$= | 100 | Fig. 5 | $A$= | 75 |
| | $B$= | 25 | | $B$= | 14.25 |
| Fig. 3 | $A$= | 100 | Fig. 6 | $A$= | 150 |
| | $B$= | 32 | | $B$= | 28.5 |

In Figs. 1 to 6, inclusive, the values selected for the constants $A$ and $B$ are both positive in character. Also, in each of these Figures the value of $B$ is between 18% and 33% of the value of $A$ as set forth in claim 13. In particular, in Figs. 1, 5 and 6, the value of $B$ is 19% of the value of $A$; in Figs. 2 and 4, the value of $B$ is 25% of the value of $A$; and in Fig. 3, the value of $B$ is 32% of the value of $A$.

34. Claim 13 contains no limitations as to the value of $A$ or its range of values (Finding 26). Nor is there set forth in this claim the value of $B$ within the stated 18% to 33% range for any assumed value of $A$.

If an operative airfoil is to be built coming within the phraseology of claim 13, and having certain desired operative characteristics, it would require experimentation with the values of $A$ and $B$ to be used in the formulas.

Claim 13 does not particularly point out and distinctly claim an identifiable invention or discovery, and it is therefore invalid.

35. The first Davis patent, No. 1,942,688, issued January 9, 1934. The second Davis patent, No. 2,281,272, issued April 28, 1942, on an application which was not filed until May 9, 1938. There was thus an interval of over four years between the issue date of the first Davis patent and the filing date of the second patent, in evidence as defendant's exhibit 11 and made a part of this finding by reference.

The subject matter of the invention described and claimed in the second patent is similar to the first insofar as it relates to the use of four formulas, by the use of which an airfoil curve may be plotted with respect to $X$ and $Y$ axes. However, instead of using two variables such as $A$ and $B$ in the first patent, it uses but one variable, $A$, and in claims 1 and 3 the value of $A$ is stated to be approximately one, while in the remaining claims, 2 and 4, $A$ is given a value of not less than 0.93 and not greater than 1.05. The formulas utilizing the constant $A$ are the same in all four claims. By way of example, claim 1 of this second Davis patent is quoted.

> 1. A fluid foil having a sectional profile producible by modification of a sectional profile conforming substantially to the following formula, in which theta varies from zero to
>
> $\frac{\pi}{2}$ radians

and the value of $A$ is constant and equal to approximately one:

$$X_a = \sin\theta\,(4/\pi - 1)\,A + \tan\theta\,(1 - 2\theta/\pi)\,(1 - A)$$
$$Y_a = \cos\theta\,(4/\pi - 1)\,A - A\,(1 - 2\theta/\pi)$$
$$X_b = \sin\theta\,(4/\pi - 1)\,A + \tan\theta\,(1 - 2\theta/\pi)\,(1 - A)$$
$$Y_b = \cos\theta\,(4/\pi + 1)\,A - 3A\,(1 - 2\theta/\pi)$$

said modification consisting in multiplying all foil section ordinates of any camber line by a constant value whereby the foil thickness is increased or decreased depending on the value of the constant.

36. The second Davis patent describes and claims a relatively narrow range or family of airfoils defined by certain mathematical formulas having a narrow range of values. The first Davis patent, on the contrary, describes and claims by certain mathematical formulas a larger family or group of airfoils which are defined by two variables, $A$ and $B$, to which no absolute values are given and with the exception of claim 13, no specific relative values are given. The first Davis patent also indicates that the constants $A$ and $B$ may be varied in a mathematical sense so that one may be negative while the other is positive.

If in the formulas of the first patent the value of $B$ is selected to equal $-A$, and the numerical figure in these four formulas, 0.6366198, is written as $\frac{2}{\pi}$ (two divided by 3.1416), then the four formulas of the first patent become identical with the four formulas of the second patent. The algebraic transformation of the formulas of the first patent into the formulas of the second patent is shown in detail in defendant's exhibit 9-A, which is made a part hereof by reference.

37. The narrow family of airfoils covered by the claims of the second patent is also covered by the claims of the first patent with the exception of claim 13, when a value of $B$ is selected equal to $-A$. The second patent therefore extends the monopoly already covered by claims of the

first patent for a period of more than 17 years, and the second Davis patent is void because of double patenting.

MANUFACTURE AND DISPOSITION OF AIRPLANES IN SUIT

38. Defendant caused to be manufactured under the provisions of the contract in suit airplanes employing wings embodying the alleged inventions of the patents here in suit, as follows:

| *Government contractor* | *Number* | *Type* |
|---|---|---|
| Douglas Aircraft Corporation ..... | 944 | B-24 airplanes. |
| North American Aviation, Inc. .... | 966 | B-24 airplanes. |
| Ford Motor Company ..... | 6,672 | B-24 airplanes. |
| Consolidated Vultee Aircraft Corp... | 7,696 | B-24 airplanes. |
| | 213 | C-87 airplanes. |
| | 5 | AT-22 airplanes. |
| | 30 | RY-1 and RY-3 airplanes. |
| | 118 | B-32 airplanes. |
| | 739 | PB4Y-2 airplanes. |

The total number of airplanes so manufactured was 17,383.

39. The plaintiff has received payment of $5 royalty for each of the 17,383 airplanes referred to in the preceding finding, as required by the contract in suit, totaling $86,915.

40. Pursuant to a motion for call on the Department of the Air Force for a statement showing the ultimate disposition of the 17,383 airplanes defendant had manufactured under the contract in suit, that department filed a partial response on February 2, 1950, and a final response on February 27, 1950. These two responses are in evidence as plaintiff's exhibits 2 and 3, respectively.

In response to a motion for call, allowed by the Court, the Department of the Navy on January 15, 1951, reported the disposition and use of aircraft manufactured under Navy contracts.

The following table summarizes the detailed disposition of the aircraft listed in the foregoing responses:

| | United States Air Forces contracts | | | | Navy contracts | | |
|---|---|---|---|---|---|---|---|
| | B-24s | B-32s | C-87s | AT-22s | RY-3s | PB4Y-2s | |
| Total aircraft manufactured | 16,278 | 118 | 213 | 5 | 30 | 739 | 17,383 |
| *Disposition or use reported by U. S. A. F.* | | | | | | | |
| Transferred to foreign governments | 2,111 | — | 28 | — | — | — | 2,139 |
| Transferred to the United States Navy | 847 | — | 8 | — | — | — | 855 |
| Used in overseas operations: | | | | | | | |
| Missing or missing in action | 1,774 | — | 9 | — | — | — | 1,783 |
| Lost in combat and enemy action | 133 | — | — | — | — | — | 133 |
| Condemned—unfit for use | 1,716 | 3 | 57 | — | — | — | 1,776 |
| Salvaged | 1,946 | 2 | 66 | — | — | — | 2,014 |
| Damaged beyond repair by reason of accident, crash, collision, fire, bombed, destroyed, ditched (lost at sea), lost, surveyed, washout, wrecked and reclamation complete | 855 | — | 22 | — | — | — | 877 |
| Excess inventory—not accounted for | 58 | — | 3 | — | — | — | 61 |
| Used in domestic operations: | | | | | | | |
| Lost or damaged beyond repair, condemned, crashed, missing, salvage, surveyed, and reclamation complete | 865 | 14 | 4 | 2 | — | — | 885 |
| Excess inventory—not accounted for | 1 | — | — | — | — | — | 1 |
| Used for ground training U. S. A. F. class 26 | 104 | 2 | — | — | — | — | 106 |
| Donated to Dakota School for ground training | 1 | — | — | — | — | — | 1 |
| Transferred to Army Ground Forces | 2 | — | — | — | — | — | 2 |
| Transferred to R. F. C., various areas | 5,815 | 97 | 18 | 3 | — | — | 5,933 |
| Transferred to Defense Plants Corporation | 38 | — | 1 | — | — | — | 39 |
| Transferred to War Assets Administration | 11 | — | — | — | — | — | 11 |
| Used, available for use, U. S. A. F. | 1 | — | — | — | — | — | 1 |
| Used, in active use by U. S. A. F. | 1 | — | — | — | — | — | 1 |
| *Disposition or use reported by Navy* | | | | | | | |
| Transferred to United Kingdom | — | — | — | — | 26 | — | 26 |
| Lost in flight or salvaged | — | — | — | — | — | 393 | 393 |
| Transferred to War Assets Administration | — | — | — | — | 7 | 7 | 14 |
| Transferred to Army Ground Forces | — | — | — | — | — | 1 | 1 |
| Remaining in Department of Navy Oct. 1, 1950 | — | — | — | — | — | 338 | 338 |
| Total disposed of or in use | 16,279 | 118 | 216 | 5 | 33 | 739 | *17,390 |

*This table shows 7 aircraft in use or disposed of in excess of the total manufactured under the contracts in suit. They include 1 B-24, 3 C-87s, and 3 RY-3s. No explanation has been furnished for these differences.

41. Aircraft transferred or diverted to foreign governments consisted of the following types:

| | B-24s | C-87s | RY-3s | Total |
|---|---|---|---|---|
| Australia | 270 | — | — | 270 |
| United Kingdom | 1,735 | 24 | 26 | 1,785 |
| Canada | 64 | — | — | 64 |
| China | 40 | 3 | — | 43 |
| Yugoslavia | 3 | — | — | 3 |
| Total | 2,112 | 27 | 26 | 2,165 |

Direct deliveries were made of 168 aircraft to Australia, 64 to Canada and 1,729 to the United Kingdom. The remainder were first delivered to the United States Air Forces or the Navy and thereafter diverted to the foreign country involved.

One B-24 included in direct deliveries to Australia was ultimately delivered to the Reconstruction Finance Corporation in Kingman, Arizona, in October 1945. One B-24 included in direct deliveries to the United Kingdom was returned to the United States Air Forces and condemned in June 1946. Ten of the RY-3 aircraft that had been diverted by the Navy to the United Kingdom prior to September 1945, were returned to the Navy thereafter and a similar number of this type of aircraft were salvaged by the Navy.

All of the aircraft delivered to foreign governments were transferred during World War II and within the period of the National Emergency declared by the President May 27, 1941, and prior to the proclamation of "Cessation of Hostilities" of World War II announced on December 31, 1946.

The above facts and figures were taken from plaintiff's exhibits 2 and 3 and the response of the Navy Department filed January 15, 1951.

42. As far as could be ascertained by the services involved, all the aircraft sent to foreign governments were transferred in accordance with the provisions of the Lend-Lease Act of March 11, 1941 (55 Stat. 31) designated as "An Act to Promote the Defense of the United States."

In pursuance of this act, mutual aid pacts known as lend-lease agreements were entered into between the United States and the United Kingdom February 23, 1942 (56 Stat. 1443-1435); with the Republic of China on June 2, 1942 (56 Stat. 1494-1496) and with Yugoslavia on July 24, 1942 (56 Stat. 1570-1572). Australia accepted the principles of these agreements by an exchange of letters in Washington, D. C., September 3, 1942 (56 Stat. 1608).

The agreement with the United Kingdom, referred to above, contained the following provisions:

> The Government of the United Kingdom will not without the consent of the President of the United States of America transfer title to, or possession of, any defense article or defense information transferred to it under the Act or permit the use thereof by anyone not an officer, employee, or agent of the Government of the United Kingdom.
>
> * * * * * *
>
> The Government of the United Kingdom will return to the United States of America at the end of the present emergency, as determined by the President, such defense articles transferred under this Agreement as shall not have been destroyed, lost or consumed and as shall be determined by the President to be useful in the defense of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America.

The agreements with China and Yugoslavia contained similar provisions.

43. A response to a call upon the Secretary of State (plaintiff's exhibit 6) stated in part as follows with respect to the 64 B-24 airplanes that were procured by Canada from the United States:

> As to Canada, during the war, materials and services including the 64 B-24 planes here in suit, were procured by Canada from the United States through lend-lease requisitioning channels under the authority of the Lend-Lease Act, for which Canada deposited

cash with the United States Treasury in advance of procurement.

Even with respect to lend-lease articles for which the recipient government paid in advance the United States has maintained the position that it retained certain rights and interests. These rights include the right to recapture upon demand and to have the recipient country obtain the consent of the United States prior to turning the articles over to any other country. The fact that the recipient country paid for the articles did not mean that title to those articles passed, just as it did not pass with respect to transferred lend-lease articles for which the only obligation was to make some settlement at a future date. As to all these articles the United States Government has maintained the position that in the absence of a special agreement title did not pass.

By letter mailed and delivered in Washington, D. C., dated December 6, 1945, Thomas B. McCabe, Foreign Liquidation Commissioner, informed J. R. Mooney, Associate Director General, Department of Munitions and Supply of the Dominion of Canada, in Washington, that the United States Government relinquished any right, title or interest that it may have had in any property transferred to Canada under the lend-lease mechanism and paid for by Canada, including the right to recapture any such property and the right to refuse consent to the retransfer of any such property.

44. Prior to the commencement of negotiations for settlements for lend-lease aid, the recipient countries were asked to submit inventories of materials of lend-lease origin remaining in their possession as of VJ-day, September 2, 1945. The inventories submitted in accordance with this request are the last and only available inventories in the possession of the State Department. Of these inventories, only the United Kingdom and Australia list any of the aircraft involved herein. A response to a call on the State Department lists these inventories as follows (plaintiff's exhibit 6):

| | B-24s | C-87s | RY-3s | Total |
|---|---|---|---|---|
| Australia | 247 | — | — | 247 |
| United Kingdom: | | | | |
| Serviceable | 892 | 19 | 5 | 916 |
| Unserviceable | 399 | — | 6 | 405 |
| Total | 1,358 | 19 | 11 | 1,568 |

Of the 892 serviceable B-24s the United Kingdom reported that 300 were under conversion from combat to military transports.

45. The Lend-Lease Settlement Agreement with the United Kingdom was first set forth in general terms in a joint statement executed December 6, 1945 (60 Stat. 1564). This was followed by a specific implementing agreement, executed March 27, 1946 (60 Stat. 1525).

Under section IV of this agreement relating to military holdings, paragraph 2 reserved to the Government of the United States its right of recapture of any lend-lease articles held by the United Kingdom Armed Forces, but indicated that it was not intended that this right of recapture would be exercised generally.

Under section V of this agreement relating to lend-lease noncombat aircraft, paragraph 4 provided for the transfer to the United Kingdom as of September 2, 1945, full title to 18 Liberator (C-87) transport aircraft, subject only to the condition that when they became surplus to the British military requirements they would not be transferred by sale, loan or otherwise, to third countries without the consent and agreement of the Government of the United States.

This agreement also provided that the United Kingdom might continue to use for military purposes such Liberator aircraft (B-24s) as had been converted by the Royal Air Force into improvised transport aircraft, but that no such converted aircraft would be employed by the Government of the United Kingdom for commercial hire in the carriage of freight or passengers.

46. A mutual aid settlement agreement was executed by the United States and Australia June 7, 1946 (60 Stat. 1707). This agreement provided that the Commonwealth of Australia should be deemed to have acquired full title to all lend-lease articles in its possession as of September 2, 1945, other than lend-lease articles in the possession of the armed forces on that date. The Government of the United States, with respect to lend-lease articles, and the Commonwealth of Australia, with respect to reciprocal aid articles, reserved a right to recapture at any time after September 1, 1945, any such articles which, as of the date upon which notice was communicated to the other government, were in the armed forces of the other government, although neither government intended to exercise generally this right of recapture.

A mutual aid settlement agreement was executed by the United States and Yugoslavia July 19, 1948 (62 Stat. 2133). This agreement also reserved to the United States the right to recapture any lend-lease articles of types defined as implements of war, which were held by the Government of Yugoslavia on the date notice of recapture was communicated to it. In the agreement the United States indicated that it did not intend to exercise generally its right to recapture such articles, other than vessels made available to Yugoslavia under lend-lease, which would be returned to the United States. The Government of Yugoslavia agreed not to transfer or dispose of such articles to any third country or for export without the prior consent of the Government of the United States.

47. The status of the 1,321 aircraft inventory reported by the United Kingdom as of September 2, 1945, was estimated as of September 30, 1946, as follows:

| | Original lend-lease aircraft | B-24s converted to military transports | Total |
|---|---|---|---|
| Wastage (estimated) | 51 | 99 | 150 |
| Unserviceable | 305 | 23 | 328 |
| With RAF (estimated) | 27 | 68 | 95 |
| Available for return to the United States | 638 | 110 | 748 |
| Total | 1,021 | 300 | 1,321 |

It does not appear that the Government of the United States exercised its right of recapture of any of the aircraft remaining in the possession of foreign governments after the termination of hostilities.

No lend-lease settlement agreement has been consummated with the Republic of China as to the airplanes in suit.

48. Plaintiff's exhibit 4, which is a response to a call on the Secretary of the Navy requesting a summary of disposal of certain types of aircraft procured on United States Army Air Forces contracts and which were turned over to the United States, shows the following summary:

| | B-24s (Navy PB4Y-1) | RY-1s | Total |
|---|---|---|---|
| Lost in flight or salvaged | 395 | — | 395 |
| Transferred to War Assets Administration and the Reconstruction Finance Corporation | 398 | 3 | 401 |
| Remaining in Navy Inventory | 27 | — | 27 |
| Total | 820 | 3 | *823 |

* There is nothing to reconcile the 823 planes herein listed by the Navy Department with the figure of 855 planes transferred to the United States Navy as set forth in the tabulation in finding 40.

DISPOSITION OF AIRCRAFT INVOLVED HEREIN BY SURPLUS PROPERTY AGENCIES

49. Pursuant to Executive Order 9425 dated February 19, 1944, and Surplus War Property Administration Regulation 1, dated May 8, 1944, the Reconstruction Finance Corporation was designated the disposal agency for certain surplus war property, including aircraft.

The Defense Plant Corporation was created by the Reconstruction Finance Corporation August 22, 1940, and it was dissolved July 1, 1945. The RFC delegated the Defense Plant Corporation as disposal agency for surplus property and it functioned in this category from May 15, 1944, until May 15, 1945, when the RFC took over the functions of surplus property disposal, and continued until January 15, 1946. On the latter date the RFC created the War Assets Corporation for the purpose of handling all types of property for which the RFC was then the disposal agency.

By Executive Order 9689 dated January 31, 1946, the War Assets Administration was established, effective March 25, 1946, headed by an Administrator; and thereafter all property, records, and personnel employed by the RFC in the disposal of surplus property were transferred to the War Assets Administration.

Aircraft involved herein that had been transferred to the Defense Plant Corporation, Reconstruction Finance Corporation, or War Assets Corporation are summarized from the tabulation in finding 40 and finding 48, as follows:

| | By USAF | By Navy | Total |
|---|---|---|---|
| (Finding 40) B-24s (Including 1 from Australia) | 5,865 | — | 5,865 |
| (Finding 40) B-32s | 97 | — | 97 |
| (Finding 40) C-87s | 19 | — | 19 |
| (Finding 40) AT-22s | 3 | — | 3 |
| (Finding 40) RY-3s | — | 7 | 7 |
| (Finding 40) PB4Y-2s | — | 7 | 7 |
| (Finding 48) RY-1s | — | 3 | 3 |
| (Finding 48) PB4Y-1s | — | 398 | 398 |
| Total | 5,984 | 415 | 6,399 |

50. The surplus property disposal records of the War Assets Administration were turned over to the General Services Administration. On August 4, 1950, this Court allowed a motion for call addressed to the General Services Administration. This motion for call had attached thereto a letter from the War Assets Administration reading as follows:

DEC. 30, 1947

MR. EDWARD GALLAGHER,
*Attorney at Law,*
*Investment Building, Washington 5, D. C.*

DEAR MR. GALLAGHER: This will acknowledge receipt of your letter of December 21, 1947, addressed to Mr. Larson requesting information as to the inventory of aircraft using Davis wings.

There is listed below the quantities of aircraft of the type which you requested information on that were sold by WAA:

| | |
|---|---|
| B-24 | 5,884 |
| B-32 | 109 |
| PB4Y | 487 |
| C-87 | 30 |
| AT-22 | 0 |
| RY-1 | 2 |
| RY-3 (Salvaged) | 8 |

Most of the foregoing aircraft were sold "as is, where is" at location by so-called "on the hoof" sale with nonflight warranty on each aircraft. Therefore, it is hardly likely that many of these aircraft are in use today as only a few such nonflight warranties were ever rescinded by WAA.

For details as to exactly how many of such types are in actual operational status today in the U.S., it is suggested that you contact the Recordation and Registration Section of the Civil Aeronautics Administration, Washington 25, D. C,. as that Agency would have record of any operational aircraft of the categories you mentioned if any are still in operational status.

It is believed the foregoing constitutes the information you desire. However, should you desire additional information it is possible we may be able to help you.

Very truly yours

(S) CECIL G. COPPAGE,
for THOMAS A. WADDEN,
*Director, Aircraft Division,*
*Office of Aircraft and Electronics Disposal.*

The motion for call requested the General Services Administration to furnish for the Court records the names of the parties who purchased the aircraft listed in this letter. The General Services Administration, in response to such call, submitted a tabulation of sales of aircraft embodying the Davis airfoil wing as determined from the records of that office and bearing a date of manufacture subsequent to April 1, 1943, which response is in evidence as plaintiff's exhibit 8. Such sales were made pursuant to the Surplus Property Act of 1944, as amended, by competitive bids in which the purchasers were to reduce the metallic content of these aircraft to scrap, but accessories and instruments could be salvaged and resold separately. The sales contracts provided for salvage and scrap purposes only, flight use being prohibited.

The classification of aircraft sold by the Reconstruction Finance Corporation of the War Assets Administration, and included in the response of the General Services Administration, is summarized as follows:

| | |
|---|---|
| B-24 series (USAF) | 5,726 |
| B-32 series (USAF) | 109 |
| C-87 series (USAF) | 13 |
| RY series (Navy) | 8 |
| PB4Y series (Navy) | 309 |
| Total | 6,165 |

This list includes all of the airplanes sold as salvage scrap.

51. The total of 6,165 airplanes in the above tabulation shows a difference of 234 aircraft between the number of 6,399 airplanes transferred to surplus property agencies by the United States Air Forces and the Navy (see tabulation in finding 49) and a difference of 355 airplanes between the 6,520 airplanes listed in the letter from the War Assets Administration of December 30, 1947, which plaintiff used as the basis of its call.

The response to the call further stated—

> The tabulation covers 6,165 of the 6,520 aircraft referred to in the attachment to plaintiff's Motion for Call dated June 22, 1950. The records of this agency are not indexed in such a manner as to permit positive identification of the purchasers of the balance of the 355 aircraft referred to in the attachment to the plaintiff's Motion for Call dated June 22, 1950.

The data furnished in response to the call that was made on the General Services Administration were prepared by a Mr. Tuttle after a complete investigation of all available records. Mr. Tuttle, at the time he made the investigation, was aware that additional sales were made on other than a scrap-salvage basis but the records of sales of additional aircraft could not be located.

CONCLUSION OF LAW

Upon the foregoing findings of fact, which are made a part of the judgment herein, the court concludes that as a matter of law the plaintiff is not entitled to recover, and its petition is therefore dismissed.

**35 U.S.C., Sec. 69**

PLEADINGS AND PROOF IN ACTIONS FOR INFRINGEMENT

In any action for infringement the defendant may plead the general issue, and, having given notice in writing to the plaintiff or his attorney thirty days before, may prove on trial any one or more of the following special matters:

First. That for the purpose of deceiving the public the description and specification filed by the patentee in the Patent Office was made to contain less than the whole truth relative to his invention or discovery, or more than is necessary to produce the desired effect; or,

Second. That he had surreptitiously or unjustly obtained the patent for that which was in fact invented by another,

who was using reasonable diligence in adapting and perfecting the same; or,

Third. That it has been patented or described in some printed publication prior to his supposed invention or discovery thereof, or more than one year prior to his application for a patent therefor; or,

Fourth. That he was not the original and first inventor or discoverer of any material and substantial part of the thing patented; or,

Fifth. That it had been in public use or on sale in this country for more than one year before his application for a patent, or had been abandoned to the public.

And in notices as to proof of previous invention, knowledge, or use of the thing patented, the defendant shall state the names of the patentees and the dates of their patents, and when granted, and the names and residences of the persons alleged to have invented or to have had the prior knowledge of the thing patented, and where and by whom it had been used; and if any one or more of the special matters alleged shall be found for the defendant, judgment shall be rendered for him with costs. And the like defenses may be pleaded in any suit in equity for relief against any alleged infringement; and proofs of the same may be given upon like notice in the answer of the defendant, and with the like effect. R.S. sec. 4920; March 3, 1897, c. 391, sec. 2, 29 Stat. 692; August 5, 1939, c. 450, sec. 1, 53 Stat. 1212.

UNITED STATES DEPARTMENT OF JUSTICE

Washington 25, D. C.

AHB:HLG
154-48775

mlp

May 18, 1951

Edward Gallagher, Esq.
1511 K Street, N. W.
Washington, D. C.

Re: Davis Airfoils, Inc. v. United States Court of Claims
No. 48775

Dear Mr. Gallagher:

Please take notice that the defendant in the above-entitled case will prove, among other things, the following matters under and pursuant to paragraph "Thirteenth" of the contract in suit.

1. That the Letters Patent No. 1,942,688 is invalid and void because the alleged inventions described and claimed therein, or substantial and material parts thereof, had been described in the following printed publication prior to the alleged invention or discovery thereof by said David R. Davis, or for more than two years prior to his application for a patent therefor:

> "The Journal of the Royal Aeronautical Society", published July 1923, article entitled "Two Dimensional Airfoil Theory" by Muriel Glauert.

2. That the said Letters Patent No. 1,942,688 is invalid and void because the said David R. Davis was not the original and first inventor or discoverer of the alleged inventions purported to have been patented in and by said Letters Patent; but that the same, and every material and substantial part thereof, was, prior to the alleged invention thereof by the said David R. Davis, invented (if there is any patentable invention described and claimed therein) by, or known to and used by or sold by, the author referred

to in paragraph 1 hereof, at his said place of residence or elsewhere.

3. That the said Letters Patent No. 1,942,688 was surreptitiously and unjustly obtained for that which was, in fact, invented by another, if the said Letters Patent described and claimed any patentable invention; to wit, by the foregoing author, set forth in paragraph 1 hereof, at his place of residence or elsewhere.

4. That the said Letters Patent No. 1,942,688 is invalid and void because the alleged invention purported to be patented thereby did not constitute patentable novelty or invention within the meaning of the patent law, in view of the prior state of the art, and in view of what was common knowledge on the part of those skilled in the art, all prior to the date of the alleged invention by the said David R. Davis purported to be described and claimed in said Letters Patent.

5. That for the purpose of deceiving the public, the description and specification filed by the patentee of patent No. 1,942,688, in the Patent Office was made to contain less than the whole truth relative to his alleged invention or discovery, if the patentee made an invention or discovery.

6. That the patentee David R. Davis, in patent No. 1,942,688, has failed to particularly point out and distinctly claim the part, improvement, or combination which he claims as his invention or discovery, all as required by 35 U. S. C. 33, R. S. 4888.

7. That the patentee David R. Davis, as to patent No. 1,942,688, has failed to file in the Patent Office a written description of his alleged discovery or invention, and of the manner and process of making, constructing, compounding, and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art or science to which it appertains, or with which it is most nearly connected,

to make, construct, compound, and use the same, all as required by 35 U. S. C. 33, R. S. 4888.

8. That the Letters Patent No. 2,281,272, to David R. Davis, filed May 9, 1938, issued April 28, 1942, is invalid for double patenting with respect to the David R. Davis Letters Patent No. 1,942,688, filed May 25, 1931, issued January 9, 1934.

Sincerely yours,

For the Attorney General
HOLMES BALDRIDGE
Holmes Baldridge
*Assistant Attorney General*

cc: HON. HAYNER H. GORDON
*Commissioner*
U. S. Court of Claims
Washington, D. C.

**License Agreement—Paragraph Thirteenth**

It is understood that, notwithstanding this Agreement, Government may proceed at any time under the provisions of Public Law 768, 77th Congress, 2nd Session, and that as to the license hereby granted to Government or hereafter issued at the request of Government, the royalties payable hereunder, or thereunder, as the case may be, will be subject to the provisions of that Act. It is agreed further that Government reserves all rights set forth in title 60 of the Revised Statutes as to any action based in whole or in part upon the making, using or selling of any structure or invention in which Licensor or any one claiming under Licensor has or claims to have any interest. Said rights may be asserted by Government at any time before or after the institution of an action by Licensor under this Agreement or any pertinent law or statute.

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# In the Supreme Court of the United States

OCTOBER TERM, 1954

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No. 507

DAVIS AIRFOILS, INC., PETITIONER

*v.*

UNITED STATES OF AMERICA

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*ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS*

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## BRIEF FOR THE UNITED STATES IN OPPOSITION

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### OPINIONS BELOW

The March 3, 1953, opinion of the Court of Claims, on the Government's motion for an order referring the case to the Commissioner for further evidence (Pet. App. 1-22), is reported at 124 C. Cls. 499, 110 F. Supp. 460. The October 5, 1954, opinion of the Court of Claims, dismissing the action (Pet. App. 23-67), is reported at 124 F. Supp. 350.

### JURISDICTION

The judgment of the Court of Claims was entered on October 5, 1954. The petition for a writ

of certiorari was filed on January 3, 1955. The jurisdiction of this Court is invoked under 28 U.S.C. 1255(1).

QUESTIONS PRESENTED

1. Whether the later of two patents should have been declared invalid under the rule against double patenting in the situation where the earlier patent was declared, subsequent to its expiration, to be invalid.

2. Whether the Court of Claims correctly read the patent license agreement as expressly reserving to the licensee the right to challenge the validity of the licensed patents.

3. Whether, in the circumstances, the Court of Claims correctly determined that the licensee bargained for the validity of the patents, and that their invalidity resulted in a failure of consideration vitiating the license agreement.

4. Whether, in any event, the disposition made by the United States of certain aircraft incorporating the licensed patents violated the terms of the license agreement.

STATEMENT

This action brought by petitioner in the Court of Claims is for an asserted breach of certain restrictions allegedly imposed by a patent license agreement between petitioner and the United States.[1]

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[1] In the court below, petitioner rested principally on language restricting the use of the patented invention to "Governmental purposes." As indicated *infra*, p. 16, its petition for certiorari relies exclusively on the phrase "throughout the United States and its territories," urging that this language in the agreement imposed a territorial restriction which was violated.

The court below dismissed the suit on the ground that the two licensed patents were invalid and that, as a consequence, there was a failure of consideration for the agreement. The pertinent facts may be summarized as follows:

1. *The licensed patents.* The two patents involved are United States Davis patent No. 1,942,688, issued January 9, 1934, and United States Davis patent No. 2,281,272, filed on May 9, 1938, and issued on April 28, 1942 (FF. 2, 35; Pet. App. 29-30, 54). Both patents relate to a development of airfoils[2] by means of certain mathematical formulas involving the use of one or more variables (FF. 23-37; Pet. App. 47-56). These formulas are employed to plot curves with respect to X and Y axes, the contour of the curve being dependent upon the value assigned to each variable (FF. 24, 35; Pet. App. 48, 54).

The first Davis patent contains thirteen claims, each of which, with the exception of Claim 7, discloses the same four formulas (FF. 24, 26; Pet. App. 48, 50). These formulas use two variables,[3]

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[2] An airfoil is a flat or curved surface, such as a wing, designed to provide maximum aerodynamic advantage for an airplane in flight. See Webster's New International Dictionary (2nd ed., 1949), p. 55.

[3] In strict mathematical terminology, these variables should be termed "parameters". A curve can be represented by a single equation which expresses a relationship between X and Y or by a pair of equations which define X and Y respectively in terms of such other quantities (A and B in this case). Although it is often possible to reduce the two equations to one, eliminating the parameters, in many instances it may not be convenient or desirable to do so. A and B have fixed or con-

identified as A and B (F. 24; Pet. App. 48). Claims 1 through 6 inclusive, Claims 8-9, and Claims 11-12 place no upper or lower limits on the value of these variables and only Claim 13 gives a specific relative value to them (FF. 26, 36; Pet. App. 50, 55). By using different values of A and B, therefore, a large family or group of airfoils is obtained, some of which are inoperative (FF. 31, 36; Pet. App. 52, 55).

The second Davis patent, which has four claims, also discloses four formulas (F. 35; Pet. App. 54). Only one variable, identified as A, is used, however (cf. note 3, p. 3, *supra*); in Claims 1 and 3 its value is stated to be approximately 1 while in Claims 2 and 4 it is assigned a value of not less than .93 and not greater than 1.05 (F. 35; Pet. App. 54). This patent thus describes and claims a relatively narrow range or family of airfoils (F. 36; Pet. App. 55). Moreover, when a value of B is selected equal to minus A, the claims of the first patent, with the exception of Claim 13, disclose the claims of the second patent (F. 36; Pet. App. 55).

2. *The license agreement in issue.* Subsequent to the issuance of the first patent but prior to execution of the license agreement with the United

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stant values for a particular pair of equations, but by varying the values of A and B new pairs of equations will be established and new curves described. The parameters A and B are thus variables for the whole family of curves but constant for a particular pair of equations and its corresponding curve. See Curtiss and Moulton, *Analytic Geometry* (1930), p. 187; Sherwood and Taylor, *Calculus* (Rev. ed. 1946), p. 168. This explains the Commissioner's occasional reference to A and B as "constants". See, *e.g.*, F. 36; Pet. App. 55.

States, petitioner entered into a license agreement with Consolidated Aircraft Corporation providing for payment to petitioner of a stipulated royalty, computed on a sliding scale, for the use of the Davis airfoils (F. 4; Pet. App. 30-31). Pursuant to this agreement, substantial royalties were paid to petitioner on aircraft purchased by Great Britain and by the United States (F. 5; Pet. App. 31-32).

On April 2, 1943, the Royalty Adjustment Board advised petitioner that its license agreement with Consolidated had been referred to the Board for consideration under the terms of the Royalty Adjustment Act of 1942, 56 Stat. 1013 (F. 6; Pet. App. 32). Thereafter, negotiations were conducted between representatives of petitioner and representatives of the Government (F. 6; Pet. App. 32). These negotiations resulted in the execution on June 29, 1943, effective April 1, 1943, of the license agreement here involved (F. 19; Pet. App. 44).

In paragraph one of this agreement, petitioner granted to the Government a non-exclusive right "to manufacture and sell or otherwise dispose of or cause to be manufactured and sold or otherwise disposed of throughout the United States and its territories, and to use throughout the world" airplane wings embodying the purported inventions disclosed by the two Davis patents (F. 19; Pet. App. 44). The paragraph further provided that petitioner would not "make any claim other than as provided herein against Government by virtue of any delivery, sale or other disposition of airplanes upon which a royalty has been paid to Li-

censor." (F. 19; Pet. App. 44). Paragraph two stipulated that the license was to be "for Governmental purposes only" and was to continue in effect until six months after the termination of the national emergency (F. 19; Pet. App. 44-45). In paragraph four, petitioner granted a co-extensive license to manufacturers designated by the Government at a royalty of $5.00 per aircraft (F. 19; Pet. App. 45). And paragraph thirteen rendered the royalties paid under the agreement subject to the Royalty Adjustment Act and provided further that (F. 22; Pet. App. 46):

> [I]t is agreed that Government reserves all rights set forth in title 60 of the Revised Statutes as to any action based in whole or in part upon the making, using or selling of any structure or invention in which Licensor or any one claiming under Licensor has or claims to have any interest. Said rights may be asserted by Government at any time before or after the institution of an action by Licensor under this agreement or any pertinent law or statute.

3. *The alleged breach of the license agreement.* Under the provisions of the agreement, a total of 17,383 airplanes incorporating the Davis airfoils were manufactured by Government contractors and a royalty of $5.00 per aircraft (a total of $86,915) was duly paid to petitioner (FF. 38, 39; Pet. App. 56). The breach of the contract alleged below relates to the lend-lease use of 2,165 of these aircraft and the surpus property disposal of approximately

6,200 additional aircraft (F. 40; Pet. App. 56-57).[4]

(a) The lend-lease aircraft were transferred to Australia, the United Kingdom, Canada, China and Yugoslavia for military use pursuant to agreements with these countries under the authority of the Lend-Lease Act of March 11, 1941, 55 Stat. 31 (FF. 41, 42; Pet. App. 58-59).[5] Upon the termination of hostilities, each country was requested to submit inventories of the aircraft remaining in its possession as of September 2, 1945 (F. 44; Pet. App. 60). The United Kingdom reported a total of 1,287 aircraft of which 892 were serviceable (F. 44; Pet. App. 61). Australia reported a total of 247 aircraft (F. 44; Pet. App. 61). No inventory was submitted by the other countries involved (F. 44; Pet. App. 60).

On December 6, 1945, a lend-lease settlement agreement was entered into between the United States and the United Kingdom (60 Stat. 1564) and on March 27, 1946, it was implemented by a second agreement (60 Stat. 1525) (F. 45; Pet. App. 61). At a later date, mutual aid agreements were entered into with Australia (60 Stat. 1707) and Yugoslavia (62 Stat. 2133) (F. 46; Pet. App. 62). In each agreement, the United States reserved the

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[4] It is not clear whether petitioner still contends that the surplus property disposal was in violation of the license agreement. Its discussion on this phase of the case (Pet. 20-23) is limited to a consideration of the lend-lease transfer.

[5] The agreements with the United Kingdom, China and Yugoslavia prohibited use of lend-lease articles by persons other than government officers, employees and agents (F. 42; Pet. App. 59).

right to recapture all lend-lease military supplies but indicated that it did not intend to exercise that right (FF. 45, 46; Pet. App. 61-62). These agreements carried restrictions on transfers to third countries, and the United Kingdom agreement also provided that, while that country might retain lend-lease B-24s which had been converted into improvised transport aircraft, such aircraft were not to be used for commercial purposes (F. 45-46; Pet. App. 61-62).

The United States did not exercise its right of recapture (F. 47; Pet. App. 63). There is no evidence, however, that any of the planes transferred under the lend-lease program were ever employed for commercial or non-governmental purposes.

(b) The planes designated for war surplus disposal were transferred to Reconstruction Finance Corporation, Defense Plants Corporation, and War Assets Administration[6] (F. 40; Pet. App. 57). Pursuant to the provisions of the Surplus Property Act of 1944, 58 Stat. 765, 6,165 of these planes were then sold for salvage and scrap purposes with an express prohibition in the sales contract respecting flight use (F. 50; Pet. App. 66). A thorough investigation of all pertinent records did not reveal the disposition made of the remaining 355 aircraft which, as the military services had reported, were transferred to war surplus agencies (F. 51; Pet. App. 67). There was no evidence, however, to sug-

[6] The basis of the authority of these agencies to receive and dispose of surplus war property is detailed in F. 49; Pet. App. 63-64.

gest that they were put to a commercial, operational use.

4. *Proceedings in the Court of Claims.* On December 13, 1950 petitioner filed its amended petition below (Pet. App. 1). At the hearing before the Commissioner, the Government interposed two defenses: (1) that the license agreement had not been breached, and (2) that the Davis patents and claims were invalid (Pet. App. 2). On petitioner's objection to the second defense, the Commissioner first ruled that the Government was not entitled to challenge the validity of the patents but, after receiving an offer of proof encompassing this defense, he decided that, by paragraph thirteen of the agreement (quoted *supra,* p. 6), the United States had reserved the right to raise the question of validity (Pet. App. 2). The Court of Claims concurred in this view.[7]

The Commissioner then entered findings to the effect that the first Davis patent was invalid for the reason that its claims would require experimentation with the values to be used in the formulas, and that the second Davis patent was invalid by reason of double patenting (FF. 32, 33, 37; Pet. App. 53, 55-56).

On October 5, 1954, the Court of Claims adopted

[7] The Commissioner initially found that Claim 13 of the first patent was valid (Pet. App. 2). On the Government's motion to refer the case back to the Commissioner for the consideration of newly discovered evidence, petitioner contended once more that the Government was not entitled to attack the validity of the patents (Pet. App. 21). The Court of Claims, in granting the motion, rejected the contention (Pet. App. 21-22).

the Commissioner's findings and, holding that the invalidity of the two patents resulted in a failure of consideration for the license agreement, dismissed the action (Pet. App. 23-28). In respect to double patenting, the court noted that the first patent had expired *pendente lite* and that petitioner consequently had enjoyed a monopoly during the full statutory seventeen-year period (Pet. App. 25). The majority of the court did not consider whether the United States had violated the terms of the license agreement. Judge Whitaker, in a separate concurring opinion, however, expressed the view that "the license granted the [United States] covers the sales of which the [petitioner] complains" (Pet. App. 29).

ARGUMENT

We believe that the Court of Claims correctly held (1) that the Davis patents are invalid; (2) that the United States was entitled to challenge their validity; and (3) that the patents' invalidity resulted in a failure of consideration for the license agreement involved. We shall point out additionally, as an independent ground for denying the writ, that, assuming *arguendo* the viability of the agreement, its terms were not in fact breached.

1. Petitioner's principal attack on the judgment below is directed to the holding that the second Davis patent is invalid by reason of double patenting.[7a] Its position (Pet. 6-10) in substance is that the declaration that the first Davis patent is invalid

[7a] Petitioner does not challenge the holding that the first patent was invalid.

in itself avoids double patenting. The cases upon which petitioner relies, however, stand for no such proposition. Furthermore, as illustrated by the circumstances of this case, the contention runs counter to considerations of public policy underlying the patent statute.

Petitioner does not, and plainly cannot, challenge the finding below that the particular family of airfoils revealed by the second patent are disclosed by the first patent (F. 37; Pet. App. 55). Nor can it be disputed that, during the statutory seventeen-year term (*i.e.* from 1934 to 1951), petitioner held the first patent out to the public as being valid and derived substantial benefits, by way of royalties, on the basis of that representation (F. 5; Pet. App. 31). Accordingly, petitioner's theory comes down to the proposition that, as to the narrower group of airfoils disclosed in the second patent, the patentee is entitled to a protected monopoly for a total of twenty-five years (*i.e.,* from 1934 to 1959, when the second patent, if valid, would expire).

Petitioner can advance no good reason why it should be afforded an extension of the period of patentee protection which Congress has fixed as the outer limit. Indeed, such extensions are the exact vice which the double-patenting prohibition was designed to prevent. Cf. *Miller* v. *Eagle Manufacturing Co.,* 151 U. S. 186, 198, 200. It is apparent that if repatenting were to be permitted so long as the prior patent was at some point found to be invalid, the path would be open for inventors to prolong the patent monopoly indefinitely through

the device of artful draftsmanship of their claims.[8]

Contrary to petitioner's suggestion, there is no conflict with decisions of this Court. In *O'Reilly* v. *Morse*, 15 How. 62, cited by petitioner (Pet. 6-8), it was held (15 How. at 112 *et seq.*) that the second patent disclosed and claimed an improvement not disclosed in the first patent. For this reason, there was no occasion to decide whether invalidity of the first patent avoids double patenting. In the later case of *Miller* v. *Eagle Manufacturing Co., supra*, this Court, expressing doubts as to the validity of the first patent involved (151 U.S. at 208, 209), nonetheless held a second patent to constitute double patenting. Were the law as petitioner suggests, the Court would have been called upon to resolve those doubts.

Nor is there substance to petitioner's contention (Pet. 8-9) that there is a conflict with decisions of other federal courts. In a majority of the cases petitioner cites, the first patent was not held invalid.[9] In the remainder, the first patent, unlike the early Davis patent, was declared invalid prior

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[8] Petitioner, assuming a breach of the licensing agreement, argues (Pet. 14) that the effect of the decision below is to cut off a right to damages which arose within seventeen years of the date the first patent was issued. As noted above, however, petitioner has already enjoyed substantial benefits under an invalid patent. Moreover, petitioner's theory would lead to a completely unwarranted extension of the period of statutory protection. In such circumstances, it is submitted, avoidance of prejudice to the public interest is the paramount consideration. Cf. *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661, 665.

[9] See *e.g.*, *American Hatters & Furriers Co.* v. *Danbury & Bethel Fur Co.*, 47 F. 2d 268 (D. Conn.); *Lewis Invisible Stitch Machine Co.* v. *Popper*, 5 F. Supp. 859 (E.D. N.Y.);

to its expiration. Indeed, this factor was deemed critical in *H. C. White & Co.* v. *Morton E. Converse & Son Co.*, 20 F. 2d 311 (C.A. 2), certiorari denied, 275 U.S. 547, the case upon which petitioner places perhaps the heaviest reliance. [10]

2. Petitioner's assertion (Pet. 18-20) that paragraph 13 of the license agreement (*supra*, p. 6) affords only a right to challenge the validity of the Davis patents in an infringement action ignores the plain wording of the provision, which reserves to the Government "all rights set forth in title 60 of the Revised Statutes as to *any action*" based upon the manufacture, use or sale of aircraft incorporating the patented Davis airfoils (emphasis added). As the court below noted (Pet. App. 21-22), title 60 of the Revised Statutes, (which, at the time of the execution of the license agreement, was a conventional designation for the basic patent statutes) defined an invention upon which a valid patent might issue and made invalidity an available defense in a suit involving the use of a patented invention. [11]

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*Driver-Harris Co.* v. *Hardite Metals*, 28 F. 2d 413 (S.D. N.Y.); *In re Hargraves*, 53 F. 2d 900 (C.C.P.A.); *Ruben Condenser Co.* v. *Copeland Refrigeration Corp.*, 15 F. Supp. 261 (E.D. N.Y.).

[10] While the *White* case is not in point here, it may be noted in passing that the Second Circuit's reasoning, quoted on page 8 of the petition, has been severely criticized. See Stringham, *Double Patenting* (1933), pp. 65-71. Stringham's view is that the invalidation of the earlier patent, whether it takes place before or after expiry, does not avoid double patenting. In this manner, the public is fully protected against unlawful extensions of the term of the monopoly.

[11] Title 60 consisted of Revised Statutes 4883-4971, 35 U.S.C. (1946 ed.) 31-79. R.S. 4886 (35 U.S.C. (1946 ed.) 31)

Thus, reduced to essentials, paragraph 13 rendered inapplicable the general rule that a licensee is estopped from challenging the validity of a licensed patent (cf. *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.*, 339 U. S. 827) and authorized the defense of invalidity in *any action*—not merely an infringement suit—involving the use of the Davis patents.[12] And while any attempt by petitioner to alter the agreement as written, by parol evidence or otherwise, would necessarily fail (cf. *Bast* v. *Bank*, 101 U.S. 93, 96-97), it can scarcely be doubted that the language of paragraph 13 accurately reflects the intentions of the parties.[13]

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spelled out the general conditions precedent to patentability and R.S. 4888 (35 U.S.C. (1946 ed.) 33) specified the required content of the patent application. While R.S. 4920 (35 U.S.C. (1946 ed.) 69) enumerated certain special defenses which could be pleaded in an infringement action only after statutory notice was provided, these defenses were not the only ones which might be invoked against a patent, Stedman on *Patents* (1939) pp. 514-515.

By the Act of July 19, 1952, 66 Stat. 792, Title 60 was repealed and the entire Title 35 of the United States Code was revised and reenacted into law. Revised Statutes 4886 and 4888 are now incorporated in 35 U.S.C. (1952 ed.) 101, 102, 111, 112, 161 and 162. Revised Statute 4920, as changed, appears in 35 U.S.C. (1952 ed.) 282. Existing rights and liabilities under prior Title 35 were not affected by the repeal and reenactment.

[12] Compare the language of paragraph 13 with the similarly-worded provision in Section 2 of the Royalty Adjustment Act, 56 Stat. 1013, to the effect that, in a suit against the United States to recover just compensation for the use of a patented invention, "the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in title 60 of the Revised Statutes or otherwise."

[13] In the first working draft of the license agreement, it was stipulated that the Government was not to "dispute the

Indeed, under petitioner's construction, the reservation would confer no practical benefits upon the licensee.

3. Petitioner urges (Pet. 15-18) that, in any event, the consideration for the license agreement was the use and enjoyment of the purported invention rather than the patents themselves. Its position seems to be that, as a matter of law and irrespective of the provisions of the particular license agreement, the invalidity of the patent can never affect the licensee's obligation of performance.

We do not doubt that parties to license agreements may, and sometimes do, contract without reference to the validity of the patents involved. By the same token, however, as the decisions of this Court relied upon by petitioner (Pet. 16-17) themselves indicate, the intended *quid pro quo* may be nothing less than a valid patent.[14] The Court of Claims' holding that there was a failure of con-

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validity of the issued Letters Patent * * * during the currency [of the license]". This provision did not appear in any subsequent draft or in the executed agreement. (F. 21; Pet. App. 45-46).

[14] In *United States* v. *Harvey Steel Co.*, 196 U. S. 310, for example, the Court sanctioned a provision in a license agreement that, if the patent were held invalid in a suit against a third party, royalties by the licensee would cease, observing that (196 U.S. at 317) the provision was "a more or less well-known and conventional one in licenses." And as the quotation from *Dale Tile Manufacturing Co.* v. *Hyatt*, 125 U. S. 46, 54, contained in the petition (Pet. 17) itself shows, the holding in *Kinsman* v. *Parkhurst*, 18 How. 289, 293, that "the invalidity of the patent would not afford a bar to the complainant's right to an account" was "based upon the contract between the parties."

sideration in this case is fully supported by the language of paragraph 13, which, as emphasized above, reserved to the Government the right to contest the validity of the Davis patents. This reservation would have had little point if patent validity had not been deemed an essential ingredient of the bargain.

4. Putting aside the invalidity of the patents and the effect of such invalidity upon the license agreement, we submit that in no event did the Government's disposition of the aircraft involved violate the terms of the license granted it.

At least until the filing of its reply brief below, the thrust of petitioner's argument was that the lend-lease and surplus-property disposal or roughly 8,500 of the airplanes manufactured under the license contravened the provision restricting use of the patented invention to and for "Governmental purposes." [15] Whether at a later stage of the proceedings petitioner abandoned this claim is not clear; in any event, the petition totally and correctly repudiates it (Pet. 20-21). Petitioner now relies exclusively (Pet. 20-22) on the words of the agreement which grant a license "to manufacture and sell or otherwise dispose of . . . throughout the United States and its territories" (Pet. App. 44). It apparently would treat this as the equiva-

[15] In its main brief below, petitioner stated (p. 107): "The net effect of [the Government's] total disregard of the restrictions [in paragraph two] was to deprive [petitioner] of its post-war domestic market by surplus property transfers, and of its foreign market by transfers under lend-lease settlement agreements, neither of which can be properly included within the term 'Governmental purpose.' "

lent of an express prohibition against manufacture in the United States for sale or other disposition abroad, whether in connection with a governmental purpose or not.

To begin with, it is to be noted that this theory gives no support to that portion of the complaint addressed to aircraft sold as surplus property, since there is no evidence that those sales involved disposition outside of the United States. Moreover, since those sales were made on a salvage-scrap basis, with a prohibition against operational use of the aircraft (F. 50; Pet. App. 66), it is difficult to see how petitioner could have been damaged in any circumstances.

More broadly, it is our position that the phrase "throughout the United States and its territories," as used in the agrement, implies no restriction on the foreign disposition of articles incorporating the patented inventions. These are the very words which appeared in every United States patent grant, both at the time the Davis patents were issued and at the time the license agreement was executed, in accordance with the provision in Revised Statute 4884 (35 U.S.C. (1946 ed.) 40) that the patentee shall have the exclusive right to make, use, and vend the subject of the patent "throughout the United States, and the Territories thereof." It is well settled that the patentee's monopoly, thus described, has no extraterritorial validity or effect. In other words, such a grant, by its terms, gives the patentee control over the manufacture of the patented article in the United States, as well as over its domestic use or sale wherever made; it does not

permit a monopoly over use or sale abroad. See, *e.g., Brown* v. *Duchesne,* 19 How. 183, 195; *Dowagaic Mfg. Co.* v. *Minnesota Moline Plow Co.,* 235 U. S. 641, 650; *Becton, Dickinson & Co.* v. *Eisele & Co.,* 86 F. 2d 267, 269 (C.A. 6); *In re Amtorg Trading Corp.,* 75 F. 2d 826, 831-832 (C.C. P.A.), certiorari denied, *sub nom. International Agricultural Corp.* v. *Amtorg Trading Corp.,* 296 U. S. 576; *Goodyear Tire & Rubber Co.* v. *Rubber Tire Wheel Co.,* 164 Fed. 869, 872 (C.C. S.D. Ohio). Where nothing more is contained in the license than a repetition of the basic words of the patent grant, the territorial rights of the licensee are no more restricted than those of the patentee.

This is not to say that, in the absence of controlling antitrust considerations, a patentee might not condition a license upon the licensee's promise to confine sales to a defined market. But as was recognized by the parties to the licensee agreements involved in *Elliott Co.* v. *Lagonda Mfg. Co.,* 205 Fed. 152 (W.D. Pa.), and *American Optical Co.* v. *New Jersey Optical Co.,* 58 F. Supp. 601 (D. Mass.),[16] to do so requires, at the least, considerably more than a mere recitation of the language of the patent grant.[17]

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[16] In *Elliott,* the agreement read "to make, use, and sell to others for use throughout the United States" (205 Fed. at 157); in *American Optical,* the licensee agreed not "to sell the inventions covered by [the] patents in England, North Ireland, France, and Germany" (58 F. Supp. at 603).

[17] The foregoing discussion in this brief assumes that petitioner was not foreclosed by the license agreement from

CONCLUSION

For the reasons stated, it is respectfully submitted that the petition for a writ of certiorari should be denied.

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instituting this action. This assumption may well be unfounded in view of its agreement "not to make any claim other than as provided herein against Government by virtue of any delivery, sale or other disposition of airplanes upon which a royalty has been paid to Licensor" (F. 19; Pet. App. 44). We do not stress the point here.

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